

MEN'S WEAR MERCHANDISING

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DEDICATED
To
MY FATHER, R H DAMERON

FOREWORD

In all probability there has not yet been a period that was not thought by those in the midst of it to be a time of unusual changes—certainly this decade is no exception to the rule. Into the midst of these perplexing problems which are confronting men's apparel retailers of this age comes this treatise on the merchandising of men's clothing, furnishings, and kindred lines.

The author of this interesting book is eminently well qualified to discuss the subject. He was born in the business and naturally has learned through actual experience of the difficulties and the hazards which beset the average American retailer. With this background of experience he pursued his education in our most advanced schools and gained a wealth of information from the leading exponents of modern retailing.

All this intimate relation is reflected in this handbook of retailing—it is practical and comprehensive. Tracing, as it does, the history of retailing from its early stages down to the present day, the reader gets a complete picture of the merchandising of men's apparel in all its branches.

I recommend it heartily to all who are interested in this branch of commodity distribution. I am sure the reader will be inspired, as I have been, to go forward aggressively, as well as gain a knowledge that will enable each of us to attack with intelligence the task of placing the merchandising of men's apparel on a high level of accomplishment.

E. L. SMITH

President, National Association of
Retail Clothiers & Furnishers 1929-30

PREFACE

The aim of this book is to present a systematic treatment of the merchandising principles and problems arising from the distribution of men's wear. As such, it is primarily intended for those engaged in the distribution of men's clothing and furnishings. Beginning with the ultimate market, the book analyzes the merchandising process as it relates to the activities of the retailer, the manufacturer, and the wholesaler. It further calls attention to the distribution problems which command the active interest of the trade in general.

The retailer should find a clear-cut statement of the principles of retail distribution, gain a more accurate knowledge of consumer demand, become cognizant of the vitalizing possibilities of merchandising fashion, and secure a better understanding of the production and selling problems of the manufacturer and wholesale distributor. The manufacturer and wholesale distributor should, through the pages of this book, receive an intimate impression of their market, both as to their retail outlets and to their ultimate consumers. The trade association, always alert to the problems of the industry at large, should find this work of value in its efforts to coordinate the activities of the various distributing agencies to the advancement of the trade as a whole.

Although primarily intended for the trade, teachers of marketing and merchandising should find this work an excellent reference book. The structural make-up and summaries have been undertaken with this in view.

Retailers, wholesalers, and manufacturers of men's apparel lines have been in need of a unified and systematic analysis of their common problems in recent years, and the complexities of modern merchandising are such that general treatises under

the captions of marketing and merchandising are inadequate. Many studies covering particular phases of men's wear distribution have been made, and, of course, the trade journals furnish valuable information of merchandising policies, but thus far no single study embracing all of the activity incident to the distribution of men's apparel has been made. Therefore, this work centering as it does on the merchandising of a group of related commodities, bridges the gap between specific articles and general studies.

In the preparation of this book, the author, who was for a time Director of Research for the National Association of Retail Clothiers and Furnishers, received the active cooperation of that group. Considerable of the material presented is the result of separate studies carried on by this association. The author is particularly indebted to Mr. Chas. E. Wray who was for many years Executive Director of the National Association of Retail Clothiers and Furnishers and to Dr. Paul H. Nystrom, Professor of Marketing, Columbia University. Dr. Nystrom gave many suggestions as to procedure and constructively criticized the original manuscript. Dr. E. T. Grether, Assistant Professor of Economics at the University of California, also read the manuscript and offered criticisms. Mr. Dan C. Smith, Jr. of Rice Institute, Houston, Texas, assisted in the collection and presentation of statistical material, and Miss Helen Booth Williams, also of Rice Institute, assisted in the proofreading.

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MEN'S WEAR
MERCHANDISING

CHAPTER 1

MERCHANDISING ELEMENTS IN MEN'S WEAR LINES

Scope of the Book—The literature of business contains many studies dealing with the general aspects of merchandising. For their purpose these works are excellent. There are, however, but few books dealing with the merchandising problems of particular commodities. The economic outlook of today demands not only the general background, but also a specific knowledge of the distribution of specific commodities, or groups of commodities. Without doubt, merchandising studies of the future will be more of this nature. To be sure, trade journals concern themselves with the merchandising problems of the particular trades and contain much information of current value to the business man. Certainly, retail clothiers would profit by careful study of the trade journals in the men's wear industry.

A further characteristic of business literature is the fact that it has been dominated by the academic viewpoint and has concerned itself with the problems of the larger business unit. Most retail clothing stores are owner-managed, and many of the wholesale distributors and manufacturers of men's apparel are medium and small-scale business units. It is, therefore, advisable not only to present the business viewpoint, but to concern ourselves with the problems of the smaller business unit. It is these businesses that are in need of a scientific study of merchandising. To say this is to underscore the obvious, to state the already known. What is new in the present situation is the sound of change characterized by a new

concept of merchandising based on scientific analysis rather than guesswork. It is therefore the object of this study:

- 1 To describe the processes of merchandising men's apparel, to state the principles underlying well conducted merchandising, and to state the chief problems affecting present-day merchandising of men's apparel and offer possible solutions
- 2 To indicate the importance of consumer demand as a guide to scientific merchandising
- 3 To suggest the standardization of meaning of merchandising terms and thus assist in overcoming some of the confusion occasioned by lack of accepted definitions
- 4 To present in a single study, or to make available in a single study, the results of previous research in men's wear distribution

Men's Wear Merchandising Defined—The term men's wear might well include all items of apparel worn by men. Practically all such items have their specific merchandising problems and highly specialized studies of these items would be of inestimable value to those engaged in the distribution of men's clothing and furnishings. However, the following study concerns itself with practically all items of men's apparel except footwear. It includes what is commonly grouped under the division of clothing, furnishings and hats. Recent developments in the distribution of footwear suggest shoe merchandising as a thing apart from the general merchandising of men's apparel.

In a competitive system, the exchange of commodities is necessarily accompanied by what is generally termed "merchandising." The essential ingredients of merchandising are not only the general process of distribution, but also active solicitation, selling, sales promotion, market analysis, advertising technique, the improvement of distribution methods, and the necessity for balancing stocks, expenses, and sales in such a fashion as to secure a profit. Viewed in another manner, it

is the broad function of merchandising to coordinate the demands of consumers on the one hand with the productive facilities available to satisfy those demands on the other hand. The desires of consumers for goods, however, are numerous and complex, while each producer possesses limited resources of a certain special character.

There is a complete lack of an accepted definition of merchandising. Before giving our own definition, it is advisable to examine the various concepts of merchandising in order to determine whether a generally acceptable definition is possible. When analyzed, these concepts present the following difficulties:

1. There is a confusion of the functions of retail merchandising with a definition of merchandising. In other words, the functions are often made the definition.
2. Merchandising is frequently identified with the distribution of the manufacturers' product intended for the ultimate consumer.
3. In some cases the term merchandising is applied only to the efforts of those distributors reaching the consumer. Thus the retailer is made the important factor, although manufacturers and wholesalers selling direct to the consumer are included.
4. In other instances, the term implies wholesale distributor-dealer relations. In this respect it is a sales promotional concept.
5. In practically every definition of merchandising there is a clause dealing with solicitation, selling, or sales promotion. Some definitions include the securing of profit, merchandise control, market analysis, commodity analysis, advertising technique, and the improvement of distribution methods.

As applied to particular studies, these definitions suggesting the above difficulties are perfectly sound. But, when merchandising is understood to be the competitive aspect of exchange

and to function as an organization essential in bringing goods from producer to consumer it may be defined as the whole process required to coordinate production with consumer demand. We thus emphasize the importance of consumer demand and view merchandising as a part of the competitive effort to satisfy that demand. Such a concept permits us to use synonymously the terms *merchandising*, *marketing*, and *distribution*.

In most studies on merchandising the development is from the producer to the consumer. However, because of the complexity of consumer demand and the need for coordination of production and consumption, the problem of consumer demand is discussed first, and then, quite logically retail merchandising, merchandising problems of manufacturers and wholesalers, and finally the commercial development of the industry which introduces merchandising problems of the industry at large. These four problems, comprehending, as they do, the merchandising process, make up the four main divisions of this book.

Consumer Demand—As applied to men's wear merchandising, consumer demand includes (1) a general analysis of demand, (2) fashion, and (3) size and fit.

Every aspect of merchandising responds in some manner to consumer demand. Store location, location of stock, buying, price policy, selling, merchandising efforts of wholesale distributors, and other phases of merchandising reflect the force of consumer demand. In fact, merchandising with the trend of consumer demand is a principle of profitable merchandising.

Fashion is a summary expression of a consumer demand. It results from the group acceptance of a style. The merchandising problem occasioned by fashion is one of scientific prediction as to what the fashion will be and then development of merchandising policies in line with fashion trends. New styles are, of course, to be created and offered to the market, but profitable merchandising is dependent more upon the deter-

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mination of which of these styles will become fashions, and then actively promoting these fashion bound styles

The large-scale development of men's clothing production has been dependent upon a certain standardization of sizes. Machine production was impossible until this was accomplished. The standardization of sizes is built around certain physical types which include the great majority of men. The merchandising problem involved from the manufacturer's viewpoint is the intelligent distribution of production over these sizes and types, the development of new types conforming to physical changes, and also the development of new types designed to reach a larger number of individuals. From the retailer's viewpoint, the problem is twofold and includes the buying of sizes and types designed for customer requirement and, at the same time, fitting the customer with a minimum of alteration. In fact, loss of customers frequently results from poor fitting and too many alterations.

Retail Merchandising—The retailer figures most strongly in the immediate satisfaction of consumer demand, and it is the retailer with whom the consumer comes in most active contact. It would be impossible for individual consumers of men's wear to deal directly with producers. It is, therefore, the primary function of the retailer to make a careful study of the desires of the consumers, develop contacts with merchandise resources capable of satisfying this demand, and to maintain a stock so that immediate delivery is possible. The retail clothier and furnisher also grants credit, makes deliveries, acts as style advisor, and renders such other services as are demanded by customers and imposed upon him by competition.

Men's wear is distributed by such diverse agencies as custom tailors, direct-to-consumer salesmen, company stores, consumers' cooperative stores, second-hand stores, and large-scale organizations like the department store, the mail order house, and the chain store. The bulk of men's wear is distributed

through the unit store commonly thought of as the retail clothing store. This last store type was seriously alarmed over the competition of the department store, later the mail order department house, and now the chain store. Chain store competition has been so effective as to make necessary and interesting a separate discussion of men's apparel chain stores.

The chain store has progressed in the merchandising of men's wear because of superior merchandising technique, and because the independent retailer has been careless in his merchandising methods. To meet this competition, independent retailers are adopting new methods and policies. In many instances, these policies are introduced and developed by wholesale distributors who wish to maintain their market with independent retailers. This general movement is characterized by improved sales promotional activities, the adoption of budgetary and stock control systems, and the establishment of cooperative buying organizations. The chain store has thus operated as a selective force and compelled independent stores to improve their methods of merchandising or else withdraw from competitive struggle. Although the chain store will not dominate the men's apparel field to the same extent as it has in other trades, it will continue to enjoy a steady growth. It should be emphasized that the progressively operated independent store should be able to meet its competition.

The success of any store depends on its stocking goods that customers want to buy. Scientific buying is buying what the store can actually sell. A specific buying plan merely exemplifies these statements in terms of the store's experience. Many retailers insist on buying clothing in fifteen price ranges when 90% of their business comes from three or four price ranges. Information available from stock control records would overcome this waste.

A buying problem occasioned chiefly by the competition of chain stores is that of cooperative or group buying. In the men's wear trade, the vendor tie-up plan is probably most

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widely used. This form of group buying originates with wholesale distributors, although many buying groups are formed by retailers. The development of cooperative buying has met with some opposition on the part of wholesale distributors because of the unreasonable price concessions demanded by the buying groups. It is perhaps, a controversial point whether this matter of price bargaining did not originate with the manufacturers and wholesalers, who have been known to make price concessions to chain stores and other large scale retailers. Group buying has no doubt been a factor in promoting vertical integration in the men's wear trade. The complexity of the buying problem, particularly with regard to selection, suggests that group buying will find a very legitimate place in the merchandising scheme.

Profits are in part, determined by the price policy which a given store is able to maintain. This involves a necessary adjustment between the selling price and the rate of turnover. To the individual retailer the price policy shows itself in the markup which includes (1) the total cost of doing business, and (2) net profits. But back of this initial aspect of pricing are such fundamental forces as competition, suggested prices, resale price maintenance, custom, the strength of consumer demand and other factors which more or less subtly control the individual retailer in his price-fixing process. Unfortunately, many retailers do not give sufficient consideration to the problem of pricing. Their markups are erroneously computed and they remain in business year after year making expenses but no profits.

Practically all retailers do lip-service to the importance of selling, but fail to put their verbal enthusiasm into practice. Many stores still employ the clerks to wait on trade instead of salesmen trained to inform the customers of the values of the various commodities. The salesperson in the men's apparel trade must be an advisor, in the sense that he informs the customer as to the fashion, proper fit, appropriate dress for

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the occasion, and color harmony. Apart from recognizing the importance of retail salesmanship, progressive retailers find it advisable to engage in sales planning. Basically this implies the estimation of future sales based on past performance with due allowance for growth. The plan should include not only sales by lines and prices, but should include the prearrangement of sales promotional events. A helpful device in expediting a sales program is the sales calendar, forecasting possible opportunities and reminding of current happenings.

Advertising and display are, of course, a part of the general problem of selling. From the viewpoint of individual store operation, successful advertising is dependent upon intelligent planning. This involves the determination of an appropriation, its expenditure by seasons, months, and days, the selection of media, and the choice of selling points or appeals. The use of dealer helps, nationally advertised lines, and private brands are also a part of the retailers' advertising and selling problem. Much retail advertising has been an economic waste because of its hurried preparation and failure to keep the consumer in mind. The use of displays follows the general principles of selling and re-emphasizes the fact that all selling effort should be coordinated. Too frequently, the daily newspaper advertisement features institutional copy while the window displays speak loudly of a price reduction on topcoats. As in other phases of retail merchandising, manufacturers, wholesalers, and trade associations assist the retailer in his selling problem.

Emphasis in this study is directed toward the importance of coordinating merchandising policies with consumer demand. This coordination must proceed along scientific lines. A retail store should have a plan by which it may be guided daily, weekly, or monthly, depending upon store need. A well-ordered plan necessarily includes (1) budgetary control, and (2) stock control. Very few stores are too small to benefit from a merchandising program so determined, and to the big store it is indispensable. The advantages resulting from the

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proper use of the budgetary and stock control systems are numerous, and every time they lead to greater profits through reduced expenses and controlled stock.

In return for offering merchandising services, the retailer hopes to realize a profit. This is becoming increasingly difficult because of greater competition and increased expenses of operation. Yet, despite this desire for a profit, few retailers know with any accuracy how much their expenses come to or what their profit really is. And they usually know even less about their turnovers. Greater profits depend chiefly upon the managerial judgment of the individual retailer. The effective expression of this skill and judgment may be shown in terms of his ability to balance investment, sales, and expenses in such a manner as to secure the highest return. These things are within the control of the individual merchant. To a less important extent profits are also dependent upon the number of retailers engaged in the distribution of men's wear, and the operation of the business cycle. Although the control of these factors is beyond the reach of the individual merchant, he can outdistance his numerous competitors through the medium of scientific merchandising and can minimize some of the evils of the business cycle by adjusting his business policy to the various economic fluctuations. Again, it is worth while to emphasize that the phrase "scientific merchandising" is not a mythical term, but results in most cases from the adoption and intelligent use of control methods.

Merchandising Problems of Manufacturer and Wholesaler—The retailer is only a part of the great distributive organization functioning to satisfy consumer demands, and our conception of the merchandising of men's wear is not complete until we have analyzed the activities incident to wholesale distribution. These activities comprise the merchandising problems of the manufacturer and of the middlemen who intervene between manufacturer and retailer.

MEN'S WEAR MERCHANDISING

The wholesale distribution of men's wear is characterized by direct rather than indirect marketing. This suggests that the number of wholesalers or jobbers in the men's apparel trade is diminishing and many of these have turned from wholesaling to manufacturing.

At the present time, many producers of men's apparel are anxious to name the retail price. In fact, they have indirectly done so for some time through the media of the exclusive agency and suggested prices. Resale price maintenance is supposed to have a stabilizing effect and to minimize the evils of price-cutting.

The selling problem of the wholesale distributor includes sales management, market research, selection of dealers, advertising, dealer cooperation, trade abuses, and similar problems. Fundamentally, this problem is essentially one of reaching the consumer, although it is considerably complicated by the necessity of reaching that person through one or more intervening middlemen. It is, therefore, necessary to have a sales department and to collect market facts. From these market facts, sales may be forecasted, trading areas determined, and sales quotas set. Then there is the specific problem of selecting dealers. A recognition of the importance of selling costs has led many dealers to consider selective selling in relation to the profitableness of an account. Careful analysis brings out the fact that dealing with a small account is frequently an expensive procedure. A further readjustment in dealer selection is occasioned by hand-to-mouth buying, cooperative retail buying, and the tendency of retail buyers to seek the market.

Advertising and sales promotion are important features of the wholesale distributors' selling problem. They include national advertising, dealer cooperation, cooperative selling, and the trading-up movement.

The task of selling does not end when the goods are shipped to the retailer. The wholesale distributors must help the

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retailer sell. This is done through dealer cooperation, which includes everything from displays and sales helps to showing the retailer how his advertising may be bettered, how his accounting methods may be improved, and how the quality of his service may be made more attractive.

The trading-up movement has been a feature of men's wear distribution the past few years and from the economic standpoint represents a reaction to the price-downward tendency. This trading-up movement has been accompanied in many cases by the use of cooperative selling campaigns sponsored by manufacturers, wholesalers and trade associations.

Horizontal integration in the form of chain store development is taking place (see discussion in Chapter 6). But more revolutionary is the tendency toward vertical integration, which implies the centralized control of both production and retail distribution. Vertical integration appears as the industry reaches the large-scale stage. The aims of this form of combination are increased sales volume, lowered costs, improved competitive condition, and more direct contact. An important advantage of vertical integration is that a knowledge of consumer demand is more accurately obtained, with the result that the merchandising system can function so as to coordinate production more accurately with consumption. Although the men's wear trade may look for a continuation of vertical integration, there is a considerable obstacle in that most men's wear producers confine their output to a limited number of items, price ranges, and in some cases models.

Commercial and Industrial Development—Many problems of merchandising are but an extension of production problems, so that no discussion of merchandising can be complete without some treatment of the commercial and industrial development of the men's wear industry. Many problems so resulting require the consideration of the industry at large and hence the trade association.

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The history of men's apparel production in many respects parallels fashion history and changes in methods of distribution. A feature of this industrial development is the emergence of certain problems having to do with the form of business organization, irregularities in production, costs of production, and inter-market competition. Overhead costs place a considerable burden upon the men's apparel industry and reemphasize the need for a more accurate knowledge of consumer demand.

The trade association movement has become very important in this country in recent years, and the men's wear industry now contains several important trade associations.

There is considerable difference in the activities of different associations. Some of the earlier associations were interested in price fixing, other associations have apparently had as their central function a promotional advertising campaign. More recently, trade associations have devoted a considerable part of their attention to the various problems of research and analysis connected with their organization.

In the men's apparel industry, trade associations extend from manufacturers of raw materials to retailers of the finished product. Typical of these associations are (1) The Wool Institute, (2) The Clothing Manufacturers Research Board, (3) The Associated Knit Underwear Manufacturers of America, (4) The Hat Institute, (5) National Association of Retail Clothiers and Furnishers. There are, of course, many other associations in the industry, but the above-mentioned typify the progressive trade association in the men's wear industry.

There is some overlapping in the activities of these groups and it would seem desirable to coordinate some of the activities, for example, the research activities could be coordinated, or a plan devised whereby there would be no duplication of research.

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Trends in the Merchandising of Men's Wear—The history of merchandising has always been marked by apparent chaos and flux, and to speak of trends is merely to point out important tendencies which, for the time being, dominate. Therefore, in this brief discussion of trends, no secular prophecy is undertaken.

There are several conspicuous trends in the merchandising of men's wear: (1) better coordination between production and consumption, (2) a more centralized control of the merchandising organization, (3) recognition of the importance of the trade association in merchandising, and (4) improvement in merchandising methods. Better coordination between production and consumption results from a recognition of the importance of consumer demand with the accompanying efforts of producers and distributors to analyze this demand. It also results from integration with the attending opportunities for market research.

There are a number of factors pointing toward a more centralized control of the merchandising organization. The competitive situation created by the chain store is perhaps the most important single factor. This has caused manufacturers to reach out and control their retail outlets, and chain systems have, in turn, been prompted to reach back and control, to a certain degree, production. To be sure, the distribution of men's wear has been marked by a gradual shift from indirect to direct merchandising. Further, when an industry attains the large-scale stage, it frequently attempts to secure more control over the distributive organization. In the absence of formal control, an informal control has emerged, characterized by a change in ownership, and it is speculative as to what extent ownership will become more concentrated. It is fairly obvious that the overlapping of trading areas, the growth of chain stores, and vertical integration will bring some concentration of ownership.

When competition itself reaches large-scale proportions,

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individual businesses in a particular trade forget their competition and through some centralized agency turn their attention to problems of the trade at large. The trade association is generally the agency, and through it important merchandising problems are analyzed and in many cases solved.

The tendencies mentioned above combine to develop the last and probably most significant trend, namely, improved merchandising. It has been a commonplace remark that retail clothiers were poor merchants, and a progressive note is sounded in the present-day attempt to overcome this situation. Some of the outstanding characteristics of this improvement in merchandising are

- 1 Recognition of importance of consumer demand, accompanied by scientific interest in such aspects of demand as fashion, size, and fit
- 2 Application of research to merchandising problems
- 3 Interest in, and adoption of, budgetary and stock control systems by retailers
- 4 More studied attention given to such problems as location, stock arrangement, personnel, store management, buying, pricing, advertising, selling, expenses, stock turnover, and profits
- 5 Cooperation of manufacturers and wholesalers in assisting retailers in improving their merchandising methods, and, at the same time, all of these agencies working toward a lowered cost of distribution
- 6 As has already been stated, the trade association has functioned in the improvement of merchandising methods of manufacturers, wholesalers, and retailers

The significance of these trends is amplified in the subsequent chapters of this book.

PART I
CONSUMER DEMAND

CHAPTER 2

CONSUMER DEMAND

In the merchandising of men's apparel, the consumer holds the key position. Recognition by the retailer of the consumer's strategic strength is, therefore, imperative for the success of any merchandising scheme, and to find out what the consumer wants and give it to him at a fair price becomes an elemental principle of profitable retail operation. Scientific distribution, if it means anything, is the correct gauging of consumer wants. In other words, the retailer should

Buy what the customer can buy
Buy what the customer likes
Buy what the customer will buy

Here we have the whole problem of consumer's choice, and the consequent objectives either (a) to guide or control consumer's choices, or (b) to interpret correctly the trend of consumer demand so as to follow it.

Demand for men's clothing and furnishings is selective. What is wanted is not simply clothing and furnishings as such, but a particular style and weight, color and pattern, which for the moment are in vogue, and which constitute the standard for the time being. The personal element bulks large. Opportunity for personal inspection is insisted upon in the purchase of clothing. For clothing can add or can detract from a man's personality, therefore, it makes an appeal to his vanity. And he has demanded, and for years he has found available, types of apparel suitable for all sorts of purposes: formal wear, informal evening apparel, business or lounge wear, sports wear, motoring, college, country, and town wear, and work clothing.

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Moreover, much thought is given to the purchase of men's apparel—it is not, as a rule, a casual or routine matter. With thought comes comparison of price, style, pattern, and texture—a comparison by no means confined, in these halcyon days of advertising, to the stock carried by a single dealer.

A Consumer's Market—The market today is a consumer's market,¹ that is, a market in which customers' buying habits dominate merchandising methods. In other words, consumers buy, they are not sold to. Historically, this market is noted for its shift from interest in production, with little regard for the ultimate consumer, to an active interest in that ultimate consumer. Formerly, production was a matter of supply. Now, it is a matter of meeting the dictates of demand. Indicative of this change are shifts in trading areas, consumer's choice as expressed in fashion, the price-downward tendency, instalment selling, and hand-to-mouth buying on the part of consumers. In a consumer's market, the art of selling is studied, and scientific research is applied to market problems. It is our purpose, therefore, to analyze in this chapter, consumer demand with reference (1) to its effect upon merchandising policy, and (2) to its economic background—the social and economic conditions, that is, out of which it has developed. The more specific considerations of "Fashion in Men's Apparel" and "Size and Fit of Men's Wear," will be discussed in Chapters 3 and 4 respectively.

Consumer Demand and Merchandising Policies—The kind of trade that any retailer may carry on is obviously dependent upon the customer demand in his community. Many retailers attempt to reach all classes, others direct their energies toward the higher classes only, but the majority of retailers aim to reach the great middle section. The first point to be

¹The term consumer's market is also used in the sense of a consumer's market as distinguished from a producer's market. In the former market only consumable commodities are sold and in this market we observe most frequently the trading activities of retailers and consumers. In the latter market consumable commodities as well as raw materials and technical products are dealt in. Here the trading activities of weavers, manufacturers, wholesalers, and retailers are most apparent.

determined, therefore, is the respective purchasing power of these three classes. And here many merchants betray a weakness—they misjudge the purchasing power of their community. Yet reference to studies on the relation between expenditures of a family and its size of income would enable any merchant easily to make a rough calculation of the purchasing power of the community to which he sells. For example, a community composed principally of families with low incomes would spend a larger proportion of the total income for food than a community having the same total income, but composed of families with relatively large incomes.

The purchasing power being determined, the next point is the adjustment of retail prices to meet it—a process that is sometimes termed “price lining.” Such adjustment is based on studies that have been made in different communities on the relation between salary groups and retail clothing prices. In one case, it was found that there were three distinct, average-salary groups in the community: (1) \$10,000 a year, (2) \$4,000 a year, and (3) \$2,500 a year. In this community, the \$4,000-a-year group represented 62% of the population, the \$2,500 group, 33% of the population, and the \$10,000 group, 5% of the population. Further results of the study showed that the \$4,000-a-year man paid on the average of from \$45 to \$50 per suit, the \$2,500 man bought his suits at from \$25 to \$30, and the \$10,000-a-year man averaged \$100 a suit. In the particular store studied, the retailer was able to boost sales by advertising price lines adjusted to the level of the largest group of customers.²

Such studies may be described as a sort of “retail geography.” In the simple illustration just used there is suggested an analysis of the market in terms of income levels, distance from markets, demand streams, planes of living, market contours conditioned by sex, taste, trading habits, etc.

² Norris A. Briscoe *The National Retail Clothier* March 21, 1929, p. 117.

Geography of a Retail Market

Trading Areas—The trading area of a retail center has been pictured as a circle with the city in the middle of it, and the general statement has often been made that every city should draw from an outside territory whose population equals 40% of the city's population. This, and other generalizations, are subject to serious modifications, as we shall see. In this section, we discuss specifically the trading areas for men's apparel. At the outset, it must be recognized that the extent of the market varies with the type of commodity. This suggests that trading areas for clothing and furnishings will vary materially. The reasons for this will appear in later discussion.

While every city, or center, is therefore an individual case, yet there are many general factors that may influence the retail trade territory of a given city.⁸ These general factors include

1 Lines of transportation—public highways, railroads, electric lines, bus service, waterways, and express and parcel post service. Good hard roads, making auto service possible, and the speed in transit furnished by electric transportation, are important. So, also, are the rates of transportation, both regular and special, since these can add to, or can detract from, the drawing power of a retail center. Indirectly related is the matter of parking facilities. Good roads into a city may be without significance in the absence of adequate parking facilities.

2 Lines of communication. The daily newspaper here plays a leading role. Its circulation, as conditioned by number of papers distributed, the geographical territory it covers, and the classes of people reached are all matters for consideration, for this agency affects the pulling power of the retailer's advertising. Telephone and telegraph rates are contributory elements, and are particularly expressive of the *adequacy* of lines of communication.

⁸ William J. Reilly, *Methods for the Measurement of Retail Trade Territories*.

3 The class of consumer in the territory surrounding the market The importance of this factor will be referred to later in our discussion of the market contour

4 Density of population in the territory surrounding the market

5 Proximity of the market to a larger city market This factor helps to account for the triangle shape of many trading areas

6 The business attractions of the city, such as the character of the leading stores of the city, including kinds of goods and the selection of goods offered, the service features, and the general reputation of these stores as style-goods centers Absence of good women's ready-to-wear stores has often injured the men's clothing trade in a city Other business factors are the extent to which the city offers a market for the sale and distribution of goods produced in the surrounding territory, the banking facilities of the city, etc

7 The social and amusement activities of the city, for example, theatres, educational institutions and facilities, musical attractions athletic events, church, society, and fraternal gatherings, fairs, and expositions

8 The nature of the competition offered by smaller cities and towns in the surrounding territory with respect to merchandise carried, and general attitude of these surrounding cities and towns toward the larger city

9 The population of the city Large centers are in themselves a drawing attraction

10 The "psychology of distance" prevailing in the territory which surrounds the city This is partly a reflection of population-density of a given area In less densely populated sections the factor of distance is not so important In other sections 10 miles or 20 miles seems a considerable distance to go to trade

11 The political importance of the city County seat towns, irrespective of size, are usually good trading centers

12 The topographic and climatic conditions peculiar to the city and its surrounding territory may make it desirable or undesirable as a trading center

These general factors are well illustrated in certain specific studies which have been made by various research agencies. However, one must not be too quick to draw general conclusions from these studies, as they were made in different sections of the country, with different groups of people, and frequently for different purposes. They do, however, serve to bring out some of the principles of retail geography as applied to the men's apparel trade.

Sechrist,⁴ in his "The Widening Retail Market and Consumers' Buying Habits," summarizes the buying habits of 2,413 students and of 2,230 fathers residing in or adjacent to 1,093 cities and villages, and representing every state in the union except Delaware. Some of the broad conclusions of this survey are:⁵ (1) the buying of clothes is not restricted to the place of residence, (2) the direction of trade is from smaller to larger towns, (3) the more valuable the purchase, the more likely it is to be bought away from home, (4) the tendency to buy away from home depends both upon the size of the community and upon its accessibility to larger communities. As the size of the town increases, fewer men buy their clothing away from home. This tendency depends somewhat upon the section of the country. In the East, a man living in a town of 10,000 may be adjacent to a much larger town with much better stores, whereas in the sparsely settled districts of the West, a town of 10,000 is not likely to have a larger town nearby.

In a survey made in 1927 by the National Association of Retail Clothiers and Furnishers, merchants were asked to give information on the following points: (1) the percentage of business from country people, (2) for how great a distance

⁴Horace Sechrist: *The Widening Retail Market and Consumers' Buying Habits*, Chs. I, IV, and VI.

⁵For statistical tabulation of Sechrist's study, see Appendix A, Table 25.

merchants draw trade. This survey included an analysis of the retail trade territory of clothiers and furnishers in 20 states. The results of this analysis of trade territories show clearly that retail clothiers in larger towns draw heavily on smaller communities, especially in the sale of suits and overcoats.

Thus, we see, there comes about an overlapping of trading areas. Clothing stores in many towns get business from men living in other towns while they lose the trade of some residents in their own locality, who go to other towns, usually larger ones to buy their clothing. Furnishings are more apt to be purchased in a home town; suits and overcoats out of town. In agricultural sections furnishings and work clothing tend to be purchased near home. In a study made by the University of Nebraska, it was found that, in towns under 500 population, 70% of the families that formerly purchased work clothes still follow that practice.⁶

In the survey made by the Meredith Publications,⁷ it was found that, of the rural consumers, 69% buy at the local stores, 27% in the neighboring town or city, and 4% buy from mail order houses. The recent entrance of mail order houses into the chain store business may seriously modify this figure.

The amount of inter-city trading in men's apparel is a function of the ease of transportation, of the proximity of consumers to market centers, and of the dissemination of news relating to price, quality, and brand of merchandise for sale. Other things being equal, the ownership and use of automobiles stimulates non-local trading.

Contiguous trading areas are thus, through the interplay of all these elements, linked together competitively into a continuous market. For the purpose of further analysis, retail trading centers may be classified as primary trading centers

⁶ University of Nebraska Publications: "The Influence of Automobiles and Good Roads on Rural Centers." Nebraska Studies in Business No. 18. March, 1925.

⁷ Clothing on the Farm. The Bureau of Market Analysis. The Meredith Publications. January 1, 1927.

and secondary trading centers.⁶ Primary trading centers are located in the largest cities of the state or section, county seat towns, and towns of similar size. Secondary trading centers are towns ranging in population from 800 to 2,500.

Decline of the Small Town Retailer—Although perhaps not strictly speaking in order at this point, yet his trade area is of such vital import to the small town retailer that it may not be amiss to discuss briefly here the reasons for his present plight. Despite the fact that a considerable amount of country town trade has always gone out of town, many merchants are of the opinion that the automobile on the good hard road is hastening the decay of the country town retailer. Several studies of the influence of the automobiles and good roads on retailing have been made.⁷ The general result seems to be that retailers in smaller towns have either declined absolutely, or have done little more than hold their own. It should be remembered, however, that the automobile is only one of several factors.

The decline in sales of the small town retailer may be due (1) to the relative inefficiency of the individual retailer, when he is compared with other retailers in the same town, (2) to the average inefficiency of the retailers in the small town in contrast to the efficiency of retailers in larger towns, (3) to the fact that money is being spent for other types of merchandise, such as the automobile and radio, and (4) to decrease in the purchasing power of the community, which may come about through agricultural and industrial depression, or increase in farm tenancy.

From the consumer's viewpoint, some of the reasons for trading out of town are (1) poor styles, (2) high prices, (3) limited selection, (4) poor quality, (5) such faults of

⁶ This classification of trading centers given in the University of Illinois Bulletin No. 19, April 1928, *The Automobile and the Village Merchant*.

⁷ The studies referred to are (1) University of Nebraska Publications, *The Influence of Automobiles and Good Roads on Retail Trade Centers*, Studies in Business No. 18, March, 1927, (2) University of Illinois Bureau of Business Research, *The Automobile and the Village Merchant*, Bulletin No. 19, April 1928.

management as lack of courtesy and of ability on the part of salespeople, poor store arrangement, poor display, misleading advertisements, and failure to stand back of goods

It seems, therefore, that the efficiency of the individual merchant is perhaps the most important single factor in this situation. It is not easy for the small town retailer to be a good merchant. His success depends on his ability to carry the necessary assortment of goods to serve his customers properly. Yet, it is difficult, for example, for a clothier in a village of less than 1,500 people to carry a full line of clothing and furnishings, unless the town happens to be a trading center of at least secondary importance.

From the standpoint of the individual seller it is, therefore, important that he be located in a town with stores that carry a full assortment of the various classes of merchandise. The merchant with the larger store, or one in which the element of price is important, must remember, when considering a locality, that buyers generally prefer to visit a town having more than one store carrying a particular line. The matter of selection of locality, it is evident, deserves his thoughtful attention.

In view of the foregoing discussion, the future of the small town clothier is a problem involving many factors, and its solution is not yet in sight. One suggestion is that he take on other lines of merchandise. Again it must not be overlooked that the small town clothier has some advantages: he is closer to his trade, he is able to operate at less expense. These are both vital matters, and strongly suggest that his problem is, in part, the improvement of his merchandising policies.

The outstanding features of a trade area and the factors that determine them have been briefly presented. But, while an analysis of trade or market area is of first importance in determining the extent of the market, it tells very little about the make-up of the market, or, to use again our geographical picture, the market contour.

TABLE 1 CUSTOMER ANALYSIS BASED ON STOPP RECORDS¹⁰

MEN'S SUITS	
	Suits per Year
22.5% of customers bought	1
48.4% "	2
18.6% "	3
5.5% "	4
2.9% "	5
2.1% "	6
PRICE PAID	
Price	Per Cent of Sales
Less than \$30	0.6
\$30 to \$44	22.3
\$45 to \$59	40.5
\$60 to \$74	28.1
\$75 and up	8.5
INFLUENCING FACTORS IN PURCHASING	
Factor	Per Cent of Customers Influenced
Comfort	6.6
Quality	46.3
Style	37.5
Price	8.4
Reputation	1.2
STYLE OF SUIT	
	Per Cent of Sales
Style	
Sack	93.2
Sport	6.8
WEIGHT OF CLOTH	
	Per Cent of Sales
Weight	
Light	52.7
Heavy	47.3
PATTERN	
Weave	Per Cent of Sales
Striped	40.4
Plain	29.1
Mixed	30.5
COLOR OF CLOTH	
Color	Per Cent of Sales
Gray	37.3
Blue	35.1
Brown	11.7
Mixed	15.9

¹⁰ Taken from Grey and Nystrom Merchandise Control Alexander Hamilton Institute Series p 175

TABLE I (Continued)

NECK TIES		Neck ties per Year	
3.5% of customers bought		1	
4.2%		2	
1.4%		3	
5.6%		4	
7.1%		5	
13.3%		6	
3.1%		7	
7.5%		8	
1.4%		9	
17.7%	"	10	
0.3%	"	11	
14.9%	"	12	
0.0%	"	13	
0.0%	"	14	
11.4%	"	15	
0.0%	"	16	
0.0%	"	17	
1.8%	"	18	
0.0%	"	19	
6.8%	"	20	

PRICE PAID		Per Cent of Sales	
Price			
\$0.75 to \$1.40		31.5	
\$1.50 to \$2.24		55.4	
\$2.25 to \$2.90		9.9	
\$3.00 to \$3.74		2.6	
\$3.75 and up		0.6	

INFLUENCING FACTORS IN PURCHASE		Per Cent of Customers Influenced	
Factor			
Quality		35.1	
Style		54.6	
Price		9.9	
Reputation		0.4	

STYLE OF TIE		DESIGN OF TIE	
Style	Per Cent of Sales	Design	Per Cent of Sales
Four in Hand	85.7	Striped	80.1
Bow	14.3	Figured	19.9

MATERIAL IN TIE		SHADES OF COLOR	
Material	Per Cent of Sales	Shade	Per Cent of Sales
Knitted	5.0	Bright	54.6
Cloth	95.0	Subdued	45.4

The Contour of the Market—Market contour, as has been suggested, is shaped by emotional motives—sex, taste, opinion of others, etc., all have an influence upon it. In actual fact, therefore, the market contour for men's apparel comprises a group of markets. And the effective demand of the individual consumer is dependent, not alone upon his purchasing power, but also upon his needs, conscious or latent, resulting from his education, character, habits, and economic and social environment. So, for the purposes of the distributor, market contour is not a level plain but rather a vertical series of different economic and social strata, and it is extremely important that he should be keenly aware of them.

There is one other decisive influence upon the contour of the market for men's goods, and that is—women. The distributor of men's apparel often fails to realize the significance of women as purchasers of men's apparel and neglects them in his sales campaigns. Yet, the sale of men's furnishings in department stores is a definite admission of this dominance of women as shoppers for men. That there does exist an interest in men's fashions is by many attributed to feminine influence. It has been estimated that 11% of men's clothing is purchased by women alone, while 23% of men's clothing is purchased by men and women together. Women, of course, always assist in the purchase of boys' clothing and furnishings. In the distribution of men's apparel, the farsighted merchant is more and more directing his merchandising appeals to women.

The matter of market contour, it would seem from the foregoing, presents a fairly complex problem. In an effort to attack it, retail groups in various sections of the country are making community surveys. These surveys are planned to discover buying motives, buying habits, and the reasons why customers purchase at home or elsewhere. They are also useful in that they furnish a qualitative estimate of the market, and a qualitative estimate is of as much value as a quantitative estimate.

Some retailers maintain records derived from individual store records, which indicate all factors pertaining to the customer's relations with the store. In thus analyzing their customers, retailers have long been cognizant of the fact that, when it comes to buying style merchandise, they are never tempted to buy styles not adapted to their trade. It is only lately that the similar fact has been recognized in respect to prices. It is, therefore, necessary that any customer classification take into account the various prices at which items of men's wear are purchased. Some further idea of the possibilities in records of this type may be obtained from the study of Table 1.

Relative Buying Activity According to Age Groups —

Not only is it important to classify customers according to prices and styles demanded, but also according to age.¹¹ The following age groupings might be utilized: 1-19, 20-39, 40-59, 60 and over. Store preference begins to assert itself in the first age group, and this is the group in which trading habits are formed. This group represents also an age of vanity, and in age in which many desires are formed which are later transformed into effective demand.

The age group, 20 to 39, is of great immediate business value. People of this group are in what might be called a productive period. Practically all of them have begun to take life seriously, they have regular jobs and, consequently, sustained earnings. This group demands variety and activity, and all this creates a large personal demand for apparel.

The age period from 40 to 59 is the period in which both desire and effective demand cumulate. Buyers in this group are the products of the merchandiser's skilful training, through advertising, etc. At a little past 50, men often begin to slow up in their buying. Sometimes, however, if at this time wealth should increase, there may come with it new desires, or desires

¹¹ *Chicago Apparel Gazette*, July 25, 1928, pp. 76-78.

hitherto suppressed, perhaps, such as, for example, a desire for improved personal appearance. On the other hand, the burden of dependents may increase as this is the period when children need to be outfitted for college, etc., and when other responsibilities put forth their claims.

The last age period, 60 and over, has been aptly termed the declinative period. Men of this age are chiefly concerned with holding on to what they already have, and their purchases of new wearing apparel grow continuously smaller. They indulge in few new furnishings. Vanity has passed, physical activity lessened, and they are content to enjoy what has already been accumulated.

Our analysis has made it apparent that customers have certain buying motives which are conditioned by age grouping, income grouping, and other market factors. Classification of these motives should furnish a sound basis for the development of effective merchandising policies.

Buying Motives—A primary buying motive is one which gives the consumer the major impulse to purchase the article offered for sale. A selective motive is one which results in diverting the consumer's expenditure away from one brand to another brand of the same article.¹²

Customers are also actuated by emotional and rational buying motives.¹³ Emotional buying motives have their origin in human instincts and emotions and represent impulsive or unreasoning promptings to action. Among the important emotional buying motives which apply to the purchase of men's apparel, are distinctiveness, imitation, economical emulation, pride of personal appearance, expression of artistic taste, and ambition. This last motive was illustrated in part by the "Dress Well and Succeed" campaign. At present, the National Association of Retail Clothiers and Furnishers is engaged in a "Dress-Up For Men" campaign, suggestive of pride in personal appearance.

¹² M. T. Copeland, *Principles of Merchandising*, p. 160.
¹³ *Ibid.*, p. 162.

Rational buying motives are aroused by stimulating the faculty of reasoning. The rational buying motives especially applicable to men's apparel are dependability and quality, durability, enhancement of earnings, and economy in purchase. Motor cars are sold on the basis of "Economic Transportation." Tires are sold on the basis of "Mileage." Men's wear could well be merchandised on the basis of 'Selling Success through Appearance.' It is a known fact that a man's personality is affected by the clothes he wears. "Exclusive, but not Expensive" induces the customer to rationalize on economy in purchase.

Various studies of buying motives have been made in the men's apparel trade. A most extensive study of university men was made by the Fairchild Publications.¹¹ The principal buying motives discovered in order of importance, were

- 1 Cut and fabric pattern only
- 2 Cut and fabric pattern and reputation of dealer
- 3 Cut and fabric pattern reputation and brand
- 4 Cut and fabric pattern, and brand
- 5 Reputation of retailer only
- 6 Brand name only
- 7 Reputation and brand name

Buying motives have also been classified with reference to price ranges. In the upper-price ranges of clothing style is first, price and quality last. In the lower-priced clothing price comes first, style and quality last. In medium-priced clothing, men look first at quality, second at price, and third at tailoring and general workmanship.

A more general statement of buying motives was made up by the Wool Institute from returns on a questionnaire sent to a representative number of retail clothing stores in all parts of the United States. Graded in order of importance, these were

¹¹ University Style Survey. *Daily News Record*, November 30, 1927. See .

fabric, 50%, service, style, and workmanship, 30%, and price (within a 10% range) 20%¹⁶

These various investigations and studies have enabled the merchant to become fairly familiar with the fundamental buying motives. He must next set himself to work to develop these buying motives into buying habits. The successful merchant, in addition to building up new sales, strives as well to build up permanent trading relations with his customers. A discussion of buying habits is therefore essential to a complete understanding of consumer demand and the achievement of effective merchandising.

Buying Habits—Buying habits assert themselves in the preference for one brand, the desire to trade at one store, to be waited on by a particular salesperson, the tendency to trade out of town, and other practices.

One of the simplest and most practical ways of ascertaining a customer's buying habit is to ask questions at the time of sale. Questionnaires are often used, but are apt to be misleading, because consumers may never analyze their feelings and may not always be frank in their answers. Nevertheless, a considerable body of material is available to indicate consumer buying habits.

It has often been assumed that men, in contrast to women, do not "shop" but patronize year after year the same retailer and purchase the same particular brand. Investigations do not support this assumption. Independent investigations in two different trade centers brought out the fact that approximately 50% of the male customers shopped for their clothing. Retailers should take note of this fact, that men do shop.¹⁸

Buying practices vary as between groups. According to the Fairchild survey, the average university student buys a new suit every 6.5 months, or 1.83 suits a year.¹⁷ This is more

¹⁶ Address of A. D. Whiteside, president of the Wool Institute. *Daily News Record*, May 24, 1928.

¹⁷ The investigations referred to are (1) an investigation at the University of Illinois (2) a random survey made by the Chicago Examiner.

¹⁸ University Style Survey of 1928.

than twice as much as the average man throughout the country purchases, if the figure of 75 of a suit a year, announced by B J Cahn of Kuppenheimers, is correct. The average university man buys a new topcoat and a new overcoat every 20 months. The average annual individual outlay among university students for apparel is \$223.00. Fraternity men spend on an average of \$230.00 for their clothing, while non-fraternity men spend \$191.00. Most clothing purchased by students falls into the price range from \$35.00 to \$55.00.

That university men watch for special sales was also brought out in this survey. In the South and Middle West this trait was particularly strong, 60.8% of the students reporting that they watched for sales.

The buying habits of the middle western farmers are well described in a survey made by the research department of Meredith Publications,¹⁸ Iowa. It included 8,000 farm families. The average number of suits purchased annually was 1.6%. The average price of suits was \$29.83. The average number of years between purchase of overcoats was 5.4 years. The average price of overcoats was \$26.79. The brand preference among farmers was as follows:

Hut Schaffner and Marx	31.4%
Kuppenheimer	6.2%
Clothesart	5.8%
Scars Roebuck	5.0%
Curlee	4.8%
Richmond	3.5%
Style Plus	3.0%
Montgomery Ward	3.0%
Society Brand	2.9%
J. C. Penney	2.1%

Without doubt, popular expression of brand preference is important, but too much weight should not be attached to such expressions. Market investigators often observe that customers are not informed as to what brands they do purchase and in filling out questionnaires will quote some widely advertised line as their brand preference.

¹⁸ Clothing on the Farm, op cit.

Boys' clothing sales to farm families averaged 19 suits per year with an average price of \$12.66. The average number of years between purchase of overcoats was 2.7 years and the average price of overcoats was \$11.87. In analyzing brand preferences, mail order houses are found to be more important in purchases of boys' clothing than of men's clothing. More than 27% of boys' clothing was purchased from mail order houses.

Consumer's purchases are marked by hand-to-mouth buying. There is a distinct trend away from the purchasing of a stock of shirts or underwear to last for a season, to the purchasing of fewer articles at a time. The automobile has, no doubt, influenced men not only to purchase fewer articles at a time but to demand cheaper articles. The almost universal social acceptance of sports wear has also cut down sales in certain lines of clothing.

The type of occupation and the manner of amusements affect the consumption of clothing. The rapid development of machine production and the growth of the corporate form of organization have increased the ranks of the white-collar group. These men are forced to pay more attention to their appearance, and this results in the increased consumption of clothing. On the other hand, the manner in which people take their amusements leads them to pay less attention to "dressing up." Millions patronize the movies, and in attending a movie any informal dress is apparently approved. The era of the opera and the legitimate stage demanded a standardized, correct dress.

Loss of Customers—Buying habits are in one respect unlike many other habits: they are not rigid. The goodwill of a store is easily destroyed and the result is a speedy loss of customers. According to estimates of the Wool Institute, there is a definite falling off in customers which follows a chronological order. Customers in cities of 50,000 or more,

where three or more clothiers are located, drop off in the following order: 24% after the first sale, 15% at the end of the first year, 10% at the end of the second year, with the percentages for each succeeding year declining perceptibly to the eighth year, which is the longest period over which any authentic records have been kept.¹⁰

The loss of customers raises the question "Why have customers quit trading at particular stores?" This does not necessarily have any bearing on the problem of why customers trade in other towns. The principal reasons why customers have quit trading at particular stores center around the salespeople, the goods, the service, prices, and management. By far the greatest single objection is the salespeople. Indifference, haughtiness, and over-insistence of salespeople drive many customers away from the store. In some instances, store arrangement is given as a reason for withdrawing patronage. Many customers object to changes in the location of departments. Some of these objections hint at reasons why trade goes to other towns.

Despite tangible reasons for loss of customers, it must be remembered that human nature desires change. There is always a more or less shifting element, that is, a certain percentage of customers who are always in the shifting state, trading at one store for a while, then at another.

Nevertheless, so fundamental are customer buying habits that they constitute an excellent basis for the classification of consumer goods. As will be shown later, this commodity classification is also useful in the selection of a channel of distribution.

Buying Habits as a Basis for Classifying Commodities —

The line of demarcation between the various classes of consumer's goods is not always clear, and there is more or less overlapping. Certain approximate groupings seem obvious

¹⁰ Address of A. D. Whiteside, *Daily News Record*, op. cit.

and will be found useful. Consumer goods classified on the basis of buying habits are designated by one author as convenience goods, shopping goods, and specialty goods.²⁰

Convenience goods are those customarily purchased at easily accessible stores. Many of the small items of men's furnishings are by nature convenience goods. Hosiery, garters, belts, suspenders, some items of work clothing, handkerchiefs, and other items. Many of these items, hosiery for example, are distributed as convenience, shopping, and specialty lines.

Shopping goods are those for which a consumer desires to compare prices, quality, and style at the time of purchase. Certain items of men's apparel purchased by women come under this caption. Shirts and ties, as well as many other items, are frequently purchased by wives or sisters, or with their aid. Women, in purchasing men's furnishings, generally go to the department store, which is characteristically a shopping institution. Men, now, are shoppers, too, and the experience of retailers shows that many male customers "shop" in the various stores to compare style, quality, price, and other factors. As already commented, men are ceasing to maintain their former, long-time relations with their retail clothiers.

Specialty goods are those which have some attraction for the consumer other than price, which induces him to put forth special efforts to visit the store in which they are sold and to make the purchase without shopping. Men's clothing is generally considered a specialty article. Specialty goods are purchased by both men and women, but men purchase more in the way of specialty goods than in shopping lines. It is still partly true of men's clothing that the patronage motive may center around the store itself, the retailer's brand, or the manufacturer's brand. Any one of these points may figure so strongly in the mind of the customer that he is determined to patronize a particular store or to seek a particular brand.

In our discussion up to this point, we have considered the

²⁰ M. T. Copeland *op. cit.* p. 27

subject of customer demand primarily from the point of view of the distributor, the retail merchant. We have analyzed demand, and have considered merchandising policies in respect thereto. We have studied the geography of the retail market, its trade area, with the subsidiary problem, the decline of the small town retailer, the market contour, etc. We have also presented a detailed customer analysis based on buying activity, buying motives and habits, etc. But the other side of the shield is just as important, possibly more so. It is high time that we consider more specifically the consumer's reactions to this business of selling goods. Retailer and consumer come daily into direct and intimate contact. What is the consumer's angle upon the retailer's methods and policies?

Consumer Criticism of Retailing—Present-day habits of living, our social structure, our demands for service, our desires for a wide and varied consumption, make the services of a retailer essential. And so the consumer finds the retail service providing him with merchandise at a convenient time and place, plus all the attendant services. All this he finds to the good. But he also sometimes grumbles, and certain points of this consumer criticism against the retailer merit attention. (In this book, it will be remembered, we are considering the particular retailer who handles men's clothing and furnishings.)

THE SALESPeOPLE Poorly trained salespeople are a constant source of consumer criticism. And the criticism is justified. Salespeople display an astounding lack of information regarding the commodities they handle and wherein lie their elements of value. When asked to account for the price differences in apparently like commodities, the average salesperson can rarely do so. Another salient defect of the sales organization is inability to judge (size up) customers. Again, the tendency to substitute or in some other way to force a sale is frequently the object of unfavorable comment. In some

stores the customers are made to feel decidedly embarrassed if they do not purchase at the salesman's insistence. This last, of course, may be the result of some pressure brought to bear upon the salesperson, such as policy of salary payment or general store policy. But the customer does not go "behind the scenes" for reasons: he only registers complaint.

DEMAND MANIPULATION The consumer is both susceptible to and critical of demand manipulation. Such effort to control demand is usually a very heavy drain upon the business. Expenditures for advertising, for example, vary, in the retail clothing and furnishing field, from 2% of the total annual sales to nearly 10% of this total. In considering the efforts made to control or manipulate demand, it must be borne in mind that some of these efforts are beneficial although others are detrimental.

Nearly all sales effort is a reflex of the competitive system. This effort is designed to draw trade away from a rival, to substitute the goods of one particular concern's goods for those of the competitor, or to divert expenditures from one industry into another. Trade associations in their cooperative selling campaigns figure largely in this latter effort. It is argued by advertising men that the expansion of business resulting from advertising leads to the concentration of business in a smaller number of large business units, and that these larger business units will be able to operate at lower costs. The underlying assumption is that large-scale retailing will pass on to the consumer goods at lower prices or goods of higher quality. But a community can absorb only a limited amount of merchandise, and where trade is diverted, by advertising, from one store to another, the ratio of operation expenses of the one distributor may be decreased, but it is done at the expense of another whose ratio of operating expenses is thereby increased. A recent investigation on the topic brings out the fact that it is not clear that any material price concessions have

been made to consumers as a direct result of the size of store organizations

Much sales effort, complain some clear headed consumers, is concerned with lessening the utility of goods which the customer already possesses. Concerted action with respect to seasonal opening, or to other sales events, presupposes the discarding of a garment in order to purchase a new one offering the same utility. Also, the introduction of new seasons of an "in between nature" calls for additional garments. Sales effort to induce the consumer to purchase more of the same thing has the effect of lessening the unit importance of the commodity. "Eight Hats per Year" is indicative of this tendency. Certain portions of the men's clothing trade have advocated a more rapid style change with a view of making clothes obsolete before they would normally be discarded. For example, the chairman of the style committee of a national association of retailers, selling men's clothing, says "It is a well-known fact that in women's clothing styles change three or four times a season and that the wardrobes of women throughout the country are filled with good clothing they do not wear for the reason that it is out of style. There is no good reason why we cannot fill the men's wardrobes of the country by the same method as is pursued by the women's wear houses."¹

The retailer is the target for much of the criticism of the negative side of sales effort, not because he is necessarily responsible for it, but because he comes in most active contact with the consumer. It is well also to remember that advertising in the men's apparel field has been a factor in bringing to the consumer the ready-made suit, athletic underwear, and other items in which vigorous advertising campaigns have figured so strenuously. Another desirable feature of advertising lies in the dissemination of news of coming events or products. New products are more quickly introduced, while improvements in the use of old ones are spread more rapidly

¹ Quoted from M. T. Copeland, *Problems in Marketing*, p. 9.

It is sometimes urged that advertising and selling are necessary in order to educate the consumer. This argument is defended on the ground that progress in standards of living is fostered by high-grade sales efforts. But there is an important limitation upon the educational value of modern sales effort: this educational agency is not an unbiased, impartial authority, animated primarily by the desire to render public benefit. On the contrary, it is a profit-seeking organization, mercenary in motive, and commercial in purpose. It cannot be claimed that it is a sound educational enterprise.

RETAIL OPERATION Another criticism from the consumer is that the burden of inefficient merchandising is passed along in some form to his shoulder. He is made the "goat." Society loses, for instance, when resources are invested in the retailing business that would earn a higher return in other lines. From the consumer viewpoint, this problem is a part of the general question of the over-supply of retailers with the resultant waste that comes, primarily, from the *manufacturer's* distribution policy. There is, however, another aspect to this problem. Inefficient retailing results in business reverses, which frequently force the closing out of merchandise at a price much below the production cost. Is it not possible that this contretemps makes it possible for many to acquire goods who would not otherwise be able to purchase them? In other words, the problem appears to have the short-run effect just described, which is beneficial to the consumer, and a long-run effect marked by a misuse of productive capital, which is detrimental to both customer and merchant and, for that matter, to the wholesaler as well.

The consumer looking at retailing is, of course, observing the things with which he, as a consumer, comes in contact. Broadly speaking, his criticisms are really directed against evils emanating in part from the competitive system. For many

retail practices and situations are in a very real sense dictated by the manufacturer's distribution policy.

Thus far, our discussion has centered around the adjustment of merchandising policies to consumer demand. To round out the true relationship between consumer demand and merchandising policies, it is necessary that we proceed to examine further the economics of consumption, particularly to reexamine the concept of demand, to review the broad social factors underlying consumer choices, and to determine the relation between income and the expenditures for such items as food, clothing, rent, and other items of living expenses.

The Economic Background of Consumer Demand

While, in a sense, any discussion of consumer demand is economic, for practical purposes it is advisable to consider (1) merchandising policies with reference to consumer demand, and (2) what is more commonly termed the economics of consumption or, in the term we have used, economic background of consumer demand. This includes a rather careful study of the nature of demand, the factors affecting consumer's choices, standards of consumption, income distribution and statistics of income and expenditure with especial reference to clothing expenditure.

The Nature of Demand—The term demand is in general, somewhat loosely used. It is, therefore, necessary to distinguish between actual, or effective, demand and potential demand. The quantity of goods which a consumer will take off the market at a given price is his individual, effective demand for a commodity. Potential demand is the amount which buyers would be ready to take at some specified price. At any one time, there is a whole series of demands for the article at various prices. This relation between demand and price suggests that the demand for certain items of men's apparel is elastic, that is, it varies with changes in price. This

is well illustrated by the "special sale" which generally brings about increased sales but at reduced prices. Elasticity of demand is expressed numerically by the change in the quantity taken off the market. In general, elasticity will be greater at a high price than at a low price for the low price both stimulates and concentrates the purchase power of a larger group.

The elasticity of the demand for certain items of men's apparel may be determined by taking an experimental sample of the market. Changes in rates of expenditures, as shown by cost of living studies, also give a clue to demand elasticity. If we divide consumers into groups based on their incomes, the high-income groups are generally found to have less elastic demand for a particular commodity than the groups with low incomes.

Demand may be continuous or intermittent. There is a current need for certain items of men's wear and these items are purchased frequently. On the other hand, because of the seasonal element, fashion, and the durable qualities of some articles, the demand is intermittent, purchases are made less frequently. Even seasonal buying loses its importance with the wider use of year-round suitings. And today one scarcely hears of more than one or two weights in men's underwear.

One writer expresses consumer demand in terms of gradations of demand, such as consumer recognition, consumer preference, and consumer insistence.²² These demand gradations are indicative of the pressure of merchandising. Whenever the consumer's previous acquaintance with a particular brand has been favorable, or when advertising has made a favorable impression on the consumer, other things being equal, a recognized brand is selected from among unrecognized brands, or in preference to unbranded merchandise. From several brands, similar in quality and in appearance, the consumer, through force of previous experience, merchandising appeals, or recommendation of retailer, comes to prefer one certain brand.

²² Copeland: *Principles of Merchandising*, p. 261.

When this preference becomes so strong that the consumer will accept no substitute, except in emergency, the stage of consumer insistence has been reached.

Consumer demand is sometimes likened to a stream, and the successful merchandiser is one who places himself in harmony with the current of demand. Many losses have been experienced through attempts to divert the stream of demand from its normal course.

Factors Affecting Consumer's Choices—Many factors affect choice and, thus, the demand for particular commodities. One set of controls comprises factors of an institutional nature, including such items as social heritage, custom, the binding force of pecuniary emulation, standards of fashion, and standards of consumption. There is a certain standardization of consumption that follows class and national lines rather than purely individual lines, for example, "college clothes" and "Wall Street" dress.

The effect of social heritage and custom upon consumer's choices falls particularly on those items which are purchased because others in the same social and economic group purchase them. Clothing expresses itself in the form of a desire to be a member of a group. In a country where wealthy classes are found, this wealth often shows itself in conspicuous dress or clothing which obviously costs a lot. Most individuals are slaves to fashion whether they recognize it or not. Fashion is a social force and definitely affects choices.

Choices are always affected by the state or kind of civilization. Machine production and standardization are dominating characteristics of the present age. Present-day production has increased the variety of clothing. It has increased the volume of choices, and, as a general fact, has increased the quality of choices. In addition to all these, an increase in leisure has resulted in an increased demand for more clothing, and especially for sport clothing.

Consumer's choices are influenced and directed by public agencies. Educational institutions and social organizations have exercised influence with reference to the weight of clothing and the desirability of frequent changes of clothing. Sumptuary laws may restrict the use of certain items or define limits. In some states bathing suits must follow certain specifications.

Between public agencies and private business comes the trade association as a factor affecting consumer's choices. The viewpoint of the trade association is somewhat that of private business, although many of these associations have made use of selling campaigns of an educational nature.

Private business, through the agencies of advertising and salesmanship, attempts to guide consumer's choices. Elsewhere, these agencies are discussed from the seller's viewpoint. From the consumer's viewpoint, they represent an attempt to manipulate demand and to help the consumer "rationalize." They are a part of the competitive system and, as such, aim to divert the consumer from one brand to another, or from one product to another. Advertising assists the consumer in obtaining information about merchandise, prices, styles, and uses of commodities. The attempt of private business to control demand and guide consumer's choices is one of the dominant characteristics of our present system.

Consumer's choices are obviously affected by the price system, and it is equally obvious that a wider distribution of wealth is highly desirable from the viewpoint of the merchandiser. Choices manifest themselves through prices. It is this working out of the price system that stratifies consumers into different levels, and frequently calls for a variation in merchandising policies. A more detailed explanation will make this clearer.

It is characteristic of human wants and desires that they are capable of almost indefinite expansion over a period of time. At any given moment, however, individual wants may

be satisfied. This ability to satisfy wants at a given time assists the economists in partly explaining the workings of the price system through the principle of diminishing unit importance.⁴³ According to this principle, as the stock of a particular commodity continues to increase, the unit importance tends to increase until a point is reached at which it is a matter of complete indifference whether any unit of the stock is removed or lost.

It also follows from this principle (plus the endeavor of the consumer to derive the largest possible satisfaction from his income) that, whether the consumer buys a commodity or not, depends upon (1) size of income, (2) relative expected satisfactions, and his habits in buying commodities, (3) prices of this and other goods. A better understanding of this generalization will be gained in a later consideration of statistics of income and expenditures.

The composite expression of these various factors affecting choice is best expressed in the concept, "standard of consumption," or "standard of living." A discussion, therefore, follows of the various standards of consumption, the purpose in view being to give the distributor of men's wear a clearer picture of his market.

Standards of Consumption—The kind of trade that any retail store may carry on is obviously dependent upon the specific standards of living of the people constituting its clientele. Probably few retail stores are effectively able to serve more than two or three standards of consumption.

The operation of the price system, the influence of custom, plus differences in income distribution, account in some measure for standards of consumption. Many, because of low income and inability to improve their status, live on a bare subsistence level. People at this standard have barely enough to live on and in many cases are denied the most meager

⁴³ N. J. Silberling: *The Theory of Demand and Supply*, p. 6.

necessities. Distinction is next made between a plane of living (see under Retail Geography) and a standard of living. A standard of living is best conceived of as a consumption ideal, an objective, whereas the plane of living is the level upon which people live, while all the time striving to attain their consumption ideal. These terms are, of course, relative and serve only in a general way to mark off the various consuming groups.

One writer has expressed standards of consumption in more detail by giving seven levels of consumption.²⁴ These are

- 1 Bare subsistence level
- 2 Minimum for health and efficiency
- 3 Minimum comfort level
- 4 Comfort standard level
- 5 Moderately well-to-do
- 6 Well-to-do
- 7 Liberal standard

In the bare subsistence level, approximately 12% of total expenditures goes for clothing. The upper levels spend from 20% to 22% of total expenditures on clothing. These statements are well illustrated in our discussion of income and expenditure.

From the foregoing, it is apparent that standards of consumption are partly due to the distribution of personal wealth. We must, therefore, pause here for a brief statement as to income distribution in further preface to our treatment of statistics and income.

Income Distribution²⁵—The latest figures of the National Bureau of Economic Research give the American people a total national income of \$89,682,000,000 in 1926 or an average of \$770 per capita, and an average of \$2,010 per person gainfully employed.

²⁴ Paul H. Nystrom in an address before the National Retail Dry Goods Association, Annual Convention, 1929.

²⁵ E. E. Hoyt, *The Consumption of Wealth*, p. 137.

From another point of view the differences in incomes may be stated as follows. The arithmetical average income in 1918 was \$1,543. The median income was \$1,140. This indicates a very uneven distribution. Three-fourths of the people received less than the average income. The bearing of this aspect of income upon the determination of prices, and how essential it is that the merchandiser possess a knowledge of income distribution, have already been shown.

Statistics of Income and Expenditure—At the outset, it must be observed that our cost of living studies are not accurate enough to warrant the drawing of close conclusions from them. There is also some question as to the grouping of major expense items. However, these studies do give some idea of the manner in which people spend their income.

The studies that have been made are numerous, but they are hardly comparable, because of differences in purpose and method. When arranged in certain forms, however, a strong similarity appears, especially, changes in proportion of income expended in various lines of expenditures as the income becomes larger, and like changes in relationship between income and expenditures as the family becomes larger.

The first use of what might be termed the statistical method in expenditure studies was made by Ernst Engel in 1857. Engel was then head of the statistical bureau in Saxony. The so-called Engel Laws are a statement of the relations of the expenditures of the different budget groups to the different incomes. They are as follows:

- 1 As the income of a family increases, a smaller percentage is spent for food.
- 2 As the income of a family increases, the percentage of expenditure for clothing remains approximately the same.
- 3 With all the incomes investigated, the percentage of expenditure for rent, fuel, and light remains approximately the same.

- 4 As the income increases in amount, a constantly increasing percentage is expended for education, health, recreation, amusement, and so forth

Many family living-expenditure studies have been made in the United States, but the most extensive are those made by the United States Department of Labor

American expenditure data for lower incomes show a nearly uniform tendency, as the income becomes larger, for the expenditures for food to decrease, for clothing to increase, for rent and fuel and light to decrease

When the data of expenditures are tabulated in such a way that the families can be grouped according to the size of income, and the individual expenditures are expressed either as percentages of total expenditure or of income, we discover that the percentage spent for clothing increases with the progressive income levels

In some studies the expenditures are expressed as proportions of total expenditures, others as proportions of total income There is little difference in the case of the lower income where the savings are small, but for the larger incomes quite a difference may arise A more accurate picture of the larger incomes is obtained by expressing the relations in terms of total income In an income level of under \$900, for instance, \$111 63 is spent for clothing, at an income level of \$2,500 and over, \$503 03 is spent for clothing

At the present time, we have little information on the expenditures of the higher income groups From the data at hand the only apparent differences with the high income groups are in the clothing and rent expenditures These decrease as the income increases when incomes of \$5,000 and over are considered

So much for the general statement of the relation of income to expenditures A more specific statement includes changes within the budget, expenditures and size of family, and rural versus urban expenditures

Changes within the Budget—The expenditure for clothing is flexible and is subject to considerable variation between families. It is difficult to set up norms for correct expenditure because of the factor of personal taste. The study by the Department of Labor showed a steadily increasing proportion of expenditures for clothing, which would seem to be partly due to the fact that in this study the higher-income groups contained larger families. The increase seems to come largely in the expenditures for the older children, rather than in those for the younger children. (Figures on this study will be found in Appendix A, Table 26.)

Expenditures and Size of Family—The division of expenditures among budget items is also influenced by the size of the family. The general trends in the division of expenditures are shown by budgets for normal families collected by the United States Bureau of Labor statistics, in the survey of 1899-1900. The adjustments which must be made in the budget because of the larger families result, as a general rule, in lowered standards.

Rural versus Urban Expenditures—All the studies thus far referred to dealt with urban dwellers. Numerous attempts have been made to carry out a comparative study of rural and urban expenditures, but the data available are very meager. The expenditure for clothing increases at a much less rapid rate under rural conditions than under urban conditions. This is because lines which are developed for purposes of display, or in which consumption depends upon others for its enjoyment, increase much less rapidly with rural folks.

Clothing Expenditures—The clothing expenditure for the family amounts on the average to about 15% of the total expenditures. With a low income, the man's clothing costs are higher than the woman's, in the level of living of skilled workmen, the woman's clothing has come to cost twice as

much as, or even more than the man's. It seems to grow more rapidly than the man's as income continues to increase.

It is a merchandising problem of the entire men's apparel industry to determine accurately the expenditure for men's apparel and, if possible, to increase this expenditure. This is the objective of publicity campaigns of trade associations. In a recent estimate, given out by the Public Relations Department of the National Association of Retail Clothiers and Furnishers,²⁶ the American male citizen was reputed to spend his income in 1928 as follows:

Clothing	3%
Insurance	4%
Living Expenses	5%
Entertainment	5%
Miscellaneous	8%
Auto Maintenance	10%
Savings	12%
Rent	25%
Food	28%

At present, this association is taking steps to increase the consumption of clothing. The figures just given are presented to show the relatively small expenditure that went to clothing. This campaign is justified, no doubt, by the fact that the increase in national income during 1928 resulted in at least a 10% increase in the sales of radios, automobiles, and other luxuries as contrasted with a 4% increase in sales of clothing. The competition of the future, it may be, will take place on the industrial field.

Making Use of Statistics of Income and Expenditure —

The figures presented by the National Association of Retail Clothiers and Furnishers clearly indicate a practical use to make of statistics of income and expenditure. All problems of market research, sales promotion, and advertising are bound up with an accurate statement of the distribution of purchasing power and the division of this purchasing power. Purchasing power is one of the most important of market limitations.

²⁶ *The National Retail Clothier*, March 21, 1929, p. 86.

Many distributors are seeking a market which does not exist. Finally, any marketing program to be scientific, must take into consideration the qualitative factors included in standards of living, and the quantitative factors expressed in statistics of income and expenditure.

Summary—The dominant position occupied by the consumer's market necessitates the building of merchandising policies around consumer demand. For example in a given trading area, a satisfactory price policy can be developed only with reference to the purchasing power of the consumers of that area.

The concept of retail geography is a convenient device by which to analyze the market. The market area measures the drawing power of a particular merchant or community. In men's apparel, markets are constantly shifting, and with the development of improved communication there is a tendency for market areas to overlap. The market contour pictures the stratification of the market brought about through social and economic forces. In current day-by-day, trading activities these principles of trade geography find expression in buying motives and buying habits. Still employing the device of Retail Geography, a market analysis was undertaken. This analysis made plain the necessity for an accurate statement of the economic conditions out of which consumer demand arises. These in turn, were found to be the product of the interplay of forces that are capable of measurement through studies of standards of consumption, income distribution, and statistics of income and expenditure. Mastery of this varied trade knowledge is essential if the merchandiser is correctly to gauge the consumer his desires, and possibilities, as summed up in consumer demand. The conclusion is inescapable the aggressive merchant must give more attention to the consumer. "The consumer holds the key position."

CHAPTER 3

FASHION IN MEN'S APPAREL

The male consumer, as made vocal through consumer demand, has indicated as one of his strongest desires, fashion in the clothes he wears. Strange to say, until the past few years, both producers and merchandisers of men's wear gave no heed to this demand. Fashion they deemed only a woman's interest. But the men's wear industry of today has waked up to the realization that fashion is one of their important problems, that it represents not a sporadic, transient desire, but an universal group expression of a strong consumer demand. Not only is an increasing proportion of production being devoted to styling of merchandise, but efforts are being made to study consumer trends in fashion.

Fashion is a fascinating aspect of consumer demand and full of almost unlimited possibilities. Our discussion of it in relation to men's apparel is organized under three headings (1) the general nature of fashion, (2) fashion as a merchandising problem, and (3) historical movements of men's fashions.

The General Nature of Fashion

What Is Fashion?—In current discussion a number of terms are used which have a direct reference to fashion, but which have somewhat different meanings. Style, fad, fashion, and good taste are words that are used by everybody, but there is obviously some need for distinction between them.

The most accurate distinction that I know of between these terms is that given by Paul H. Nystrom in his "Economics

of Fashion"¹ Style, according to this authority, is "a characteristic, or distinctive mode or method of expression, presentation, or conception in the field of some art, fashion is nothing more nor less than the prevailing style at any given time" In other words, fashion is the group acceptance of a certain style But a garment may be in good style without being the fashion Fashion implies social acceptance Clothing manufacturers employ stylists to create models, retailers employ fashionists to determine what shall be accepted

Who Sets the Fashions?—Who sets the fashions? Is it the movie king, the Prince of Wales the man on the campus, or the young man of Wall Street? Style experts fail to agree in fixing responsibility for this momentous decision History shows, apparently, that personages of power have had the most to do with it Lord Raglan of British nobility, having but one arm, felt that he should have an overcoat which was more becoming to the one-armed man than the usual overcoat And the result? The Raglan coat became very popular in this country for a considerable period of time

Today, individual leadership in fashion is not so important and what the nobility or ruling class may wear has an increasingly less influence We may therefore state that the setting of fashion is a function of (1) dominating events, (2) dominating ideals, and (3) dominating groups A dominating event, like the war, carried with it fundamental changes in men's fashions Dominating ideals such as simplicity, formality, or democracy have influenced fashions And such dominating groups is university men, men of Wall Street, and others may be instrumental in making a style into a fashion These fashion origins are, as a rule, of considerable force We will have occasion later to realize their importance when we briefly review the history of these fashion movements in the latter part of this chapter

¹ Paul H. Nystrom: *The Economics of Fashion* p. 28

Why Fashion Reigns—Fashion has become democratic. Style is no longer the exclusive prerogative of the wealthy. All classes, high and low, rich and poor, the upper crust and the under side, are equally insistent that they be "in style." Before each and all, fashion has freely displayed her choicest wares. Ably supported by style, fashion has thrust herself boldly into most unsuspecting fields and has made most bizarre connections, with men's fancy two-piece underwear, for example.

What has made it possible for this to come about? One of the chief causes of this greater universality of fashion is the wide diffusion of wealth in these present times. Wealth elevates consumption from the level of necessities to that of comforts, and substitutes beauty and distinction for the mere satisfaction of physical wants. The demand is no longer merely for underwear, but for underwear of a particular style, color, and what not. Another contributing cause is the tremendous impetus given to industrialization with its accompanying expansion of freedom and opportunity and numbers in the leisure class group. Again, concentration of population, both as to space and to time, has made possible a wider acceptance of one or more definite styles, and this has eventually developed into a distinct fashion movement. As a corollary to this concentration, a greater homogeneity among people has appeared as the frontier has gradually receded, while a common educational system has introduced a uniformity and standardization that has made its contribution, also, to this new and attractive element in daily living, the fashion of the hour.

To be sure, some brakes have been set against this new thing. Custom, habit, religion, sumptuary laws, and certain ideas of art frequently retard fashion. Of these, custom and habit are probably the chief retarding influences.

Fashion, then, we have defined as the group acceptance of some style. Its determination—"setting the fashion"—we discovered to be a function of dominating events, dominating

ideals, and dominating groups. How does all this show itself in consumer demand? How can we apply this knowledge to the solution of merchandising problems? To answer these questions it is necessary that we arrive at an understanding of the so-called fashion cycle.

The Fashion Cycle — A fashion cycle is, in essence, a summary statement of consumer demand, with respect to fashion.

All fashions are apparently alike, in that their rise, spread, and decline seem to follow rather orderly lines. In graphic form, a bell shaped curve is the typical portrayal of the fashion cycle. The height of this curve represents the extent of the acceptance of a particular fashion. Immediately it must occur to one that here is a hint of a powerful force in fashion, the force of imitation. A style followed by an individual means nothing.

The men's wear editor of the magazine, *Lanity Fair*, explains fashion movement as of the nature of a fashion triangle. The apex of the triangle is made up of the international fashion leaders in men's apparel. These leaders, according to this publication, set the style and then it is copied by others until it reaches the base of the triangle, which is indicative of mass acceptance. This concept of the fashion triangle is valuable in that it makes clear the force of imitation. But it does not explain consumer buying after mass acceptance. This will bear looking into.

Assuming that the bell shaped curve represents a fashion movement, what is the relation of consumer demand to this movement? In answer to this question, it may be said that consumer buying rises directly with the increased use of the fashion commodity, but when the use of that commodity reaches its peak, and the decline sets in, consumer buying decreases much more rapidly than consumer use. This aspect

⁴ Paul H. Nystrom, *The Economics of Fashion*, pp. 19-24.

of the relation between consumer demand and the fashion cycle is of significance to both manufacturers and retailers. Fashion goods may be freely bought by retailers and confidently offered for sale to consumers as long as the trend on the bell-shaped curve is upward. As soon as the upward tendency ceases, it is time for the retailer to stop ordering and the manufacturers to stop making, so as to be sure that there will not be left over any quantity of unsalable goods. There may be, of course, a limited sale in the declining period of the fashion cycle, as many people are either late in adopting the fashion, or slow in giving it up.

The foregoing analysis of the fashion cycle gives evidence that a good deal of real scientific research has been devoted to a study of this matter of fashion. This study was, at first, carried on within the academic walls of universities, research institutes, etc. But in recent years a scientific interest in fashion has spread to those engaged in merchandising.

Scientific Interest in Fashion—Perhaps the first effort to illustrate the trends of fashions was made by A. L. Kroeber, Professor of Anthropology in the University of California, in an article, "On the Principle of Order in Civilization, as Exemplified by Changes of Fashion."⁸

Professor Kroeber's investigations were based on fashion illustrations in magazines extending from 1844 down to 1919. From his study, this principle has been derived, namely, that, by the method of count and accurate observation, it is possible to determine what is the current fashion and the probable extent of its movement. Today, representatives of trade publications and others interested in fashion actually count the different modes of dress that are to be seen at various significant events. Prediction of coming fashions resolves itself into the discovery and determination of trends as early in their formation as possible, and a careful estimate of the possibilities

⁸ *American Anthropologist* July-September, 1919.

of such beginning trends and their surrounding conditions. By use of this method, the acceptance of the two-button, fairly broad shoulder, peaked-lapel coat was accurately predicted. Other fashions in men's apparel have likewise been predicted.

Studies of this nature have further developed the fact that fashions are of two types, experimental and accepted. Experimental fashions, observable at the opera and expensive resorts, are dangerous for the prudent shopper. Accepted fashions show themselves on the street, and in places where general gatherings take place.

Scientific interest in fashion is also marked by the development of university courses in Fashion, as, for example, the course in Columbia University given by Paul H. Nystrom on the "Economics of Fashion." New York University, also, has offered courses dealing with Fashion, while practical training in merchandising now regularly includes many courses relating to fashions.

Out of all this scientific interest in fashion and the recognition of the importance of fashion as a merchandising problem, there has opened up another field to engage the keen minds who are tackling this study of fashion—namely, the field of fashion control.

Fashion Checking and Measurement—Perhaps the most important device at present employed in the endeavor to measure fashion is the "count" method outlined above. Another agency of checking is the new and improved means of communication. This agency, it might be noted, is important also in spreading a fashion, while at the same time it enables the distributor to keep in close touch with developments. Other possibilities of fashion checking are suggested through the fashion research carried on by private concerns, institutions, or trade associations. In practically every instance, fashion research carried on by these groups follows the method of

count and observation, and clearly defines fashion as the group acceptance of a particular style

All this preliminary work on fashion has brought it sharply to the attention of manufacturer and merchandiser, and has stimulated intensive study and analysis of the whole subject of fashion as a merchandising problem. In the discussion that follows, considerable light will also be thrown upon the related subject of fashion control as seen to better advantage in its relation to the whole

Fashion as a Merchandising Problem

First of all, fashion is a very important aspect of customer demand. A change in fashion is speedily reflected in a change in demand. A change in fashion, therefore, affects every channel through which travel raw material and finished product on their way to the consumer. Conditions in the cloth market, for instance, are very sensitive to shifts in demand, and these vibrate back to the sources of raw materials. The dealer in raw materials, the manufacturer, the wholesaler, and the retailer, all have their merchandising problems arising from this fickle but alluring factor, fashion.

Fashion and the Raw Material Dealer—Rapidly growing markets and expanding trade areas have created a wide gulf between the dealer in raw materials and the ultimate consumer. He has lost, he feels, a vital contact that formerly gave him definite knowledge of the consumer demand. In order to regain this valuable information, the wool industry, through the Wool Institute, has offered the following plan: (1) establishment of a three-way contact between the weaver, manufacturer, and retailer, (2) this contact to be established by a system of three-part tags to be placed on the finished product. When a suit or overcoat is sold, the customer retains one tag, a second tag goes to the cutter, and the third tag, giving fabric identification and the name of the cutter, goes to the selling

agent of the mill that manufactured the cloth.⁴ With the knowledge of current consumption, thus secured both the manufacturer of clothing and the weaver of cloth would be in a position better to coordinate production and consumption. Such a plan, it is urged, would make for greater stability throughout all phases of the industry.

Without commenting on the soundness of the plan, it is certainly safe to conclude that it attacks the fundamental problem in the raw materials market (namely, consumer contact) and foreshadows many changes that may take place in the cloth market.

Although to date (August 1929), the three-part-tag idea has not been adopted as a specific plan, its suggestion has stimulated an increasing number of woolen mills to study the problem of individual customers and to provide materials and patterns more definitely in harmony with the trend of demand.⁵ Apparently much productive effort has been wasted in producing style goods for which there was no demand, and considerable sales promotional energy has been unproductively expended in attempts to change or to control the trends of fashion.

To check this possibility of waste in production, the Wool Institute employs a stylist, or fashionist who seeks to determine what fabrics are in demand. When scientific observations indicate that certain patterns are on the wane, this information transmitted to the mill operators will enable them to avoid considerable waste by measuring their production and stock goods position accordingly. Nor is this the only advantage. Not only can they keep in step with the trend of demand, but as old styles go into decline, the opportunity is offered to the cutters to introduce new styles. It is estimated that 30% of output is in new styles.

⁴ Address of A. D. Whiteside, *Daily News Record*, May 4, 1928.

⁵ This statement was suggested in a letter from A. D. Whiteside, president of the Wool Institute to the author July 22, 1929.

Fashion and the Manufacturer—Fashion changes in the clothing trade are of two types (1) basic or fundamental fashion changes, and (2) seasonal fashion changes. The difference between the two is marked by the time element and by the nature of the change. The transition from stiff to soft hats might be considered a basic change, whereas the current variations in color and shape are examples of a seasonal fashion change. Some manufacturers have come to believe that, to get their share of business, they must inaugurate new styles, or at least out-guess competitors as to what styles are going to become fashions. To the long established competition in quality and price has now been added competition in style!

The leading men's wear producers not only go abroad several times a year for information as to the trend of fashion, but continually scout about in the domestic sources of fashion. Many concerns employ a stylist who works with both the designers and the sales department. Cooperation with the sales department is essential since the salability of the product is modified to a considerable extent by the vagaries of fashion.

Because of seasonal fashions, and hand-to-mouth or controlled buying in the clothing trade, the manufacturer assumes a definite risk. In the purchase of trimmings, the style risk is sometimes shifted to the jobber but in the case of cloth no such buffer exists. If the retailer cancels or repudiates his order, the cutter (manufacturer) has no alternative but to absorb the loss or, in his turn, repudiate his order for piece goods. For these reasons, the period before the season opens is a waiting period. The manufacturer does not know what to make and the dealer does not know what to buy, because neither knows what is going to be the fashion during the coming season. In an endeavor to meet this situation, at least in part, some manufacturers have developed risk-reducing plans for the merchandising of fashion goods.

Conspicuous among these plans is the "Three Phase System" of fashion control inaugurated by a prominent concern.⁶ This plan recognizes that, while the bulk of modern business gains are derived from standardization and quantity production, there is, at the same time, profit opportunity in the launching of new styles. In order that both types of gain may be secured, it is proposed that the total production be split into three parts: one consisting of developed versions of the preceding years' successful creations, another, the developed versions of the successful things launched in kindred lines, and third, novelties or new creations which are being tested out or introduced. It is not necessary that the three phases be of equal volume, in fact, the third should be relatively small. The idea in the first two phases is to conform to consumer demand and in the third phase, to control it.

Many clothing manufacturers recognize this principle by producing an advance model. Acceptance of the model leads to a greater production of it the next season. Frequently, also, a sample of the market is "tried out," so to speak, and the garment meeting with favor is stocked more heavily. In still another effort to conform to consumer demand, both manufacturers and retailers have made informal use of what might be termed "style court." The idea of the style court consists in displaying advance models to discriminating dressers of a particular group or territory and getting their opinions as to the models most likely to be accepted by retail customers.

Another attempt to conform to customer demand is the "service stock plan." Not all styles can be carried in stock and it is, therefore, necessary to analyze sales records so as to discover those styles that seem to be in constant demand. In this way, production can be more accurately adjusted to consumption. It has been utilized with modifications, by a few individual concerns notably the Ipswich Hosiery Mills and the Gotham Silk Hosiery Company.

⁶ Cheney Bros.

Since the war, the burden of fashion has been shifted to the mills. The Ipswich Hosiery Mills, in an endeavor to minimize this risk, established a style department, whose duties were to study requirements of consumers at prices they desire to pay, and to discover market trends. Each week an analysis of sales is made to see that proper styles and colors are kept in stock, and information is sent to mill executives on Monday for use by them in controlling the week's production.

The Gotham Silk Hosiery Company, in order to have proper type goods for delivery, secures daily reports from 80 to 100 stores, located in large centers. These reports show in detail the sales for the day, giving style, size, and color. After study of these records, the company is prepared to change, overnight if need be, from the production of one style to another.

These plans represent the activities of individual concerns, and in the absence of cooperative action seem most promising. They attempt to follow demand by keeping in close touch with market sentiment, by building up service stocks, and by maintaining a flexible production organization.⁷ Unfortunately, it is not an easy matter to produce all the articles of men's apparel under a flexible scheme. Cooperative action is not entirely lacking. Men's wear producers have succeeded somewhat in reducing style risks by agreeing upon seasonal dates and the type of garment that shall appear on these dates.

The immediately preceding discussion and the illustrations given have considered the manufacturer only. The merchandising problems with respect to fashion, however, affect manufacturer and wholesaler alike. The only possible distinction is that, in some instances, the wholesaler is able to shift the fashion risk to the manufacturer. There remains for our detailed attention the problems that fashion imposes upon the retailer.

⁷ Charles P. White, "The Three Phase System and the Service Stock Plan," *Annals of the Academy of Political and Social Science*, September, 1928, pp. 126-135.

Fashion and the Retailer—Fashion enters imperatively and directly into practically every policy adopted by the retail clothier. If the retailer is to interpret correctly consumer demand with respect to fashion, he must provide an adequate system of stock control. Careful analysis of records kept for this purpose reveals at once what is in demand and serves to mark off the movement of the fashion cycle. With this as a starting point, buying and selling policies can be adjusted. The zero hour for advertising is determined, retailers should advertise most extensively just before the height of demand. Producers' advertising should take place earlier in the fashion cycle.

Fashion dictates the buying policy. It is not advisable to purchase a full season's supply in advance. For fashions may change! Misjudgment as to style demanded by the community results in overstocking and consequent markdowns. A safer plan is to purchase from 40% to 60% of the season's requirements, leaving from 60% to 40% "open-to-buy." This "open-to-buy" allows for any changes in demand and likewise permits the purchase of new styles which seem likely to be favorably received. In the spring of 1928, many retail clothiers had purchased their full season's supply of straw hats. A quick change in style caught many of these clothiers with unsalable merchandise on their hands while customers clamored for the new style. Not content with this lesson, other clothiers were "caught" when the demand for "crushers" asserted itself during the last quarter of 1928 and the opening quarter of 1929. The problem is essentially one of "merchandising in step with the trend of consumer demand." Reorders are frequently necessary during the height of the fashion cycle, but it is not a very wise policy to purchase heavily on the decline.

Fashion meddles with the employment situation. And labor turnover is a costly thing even to the retail clothier. In periods of rapid style changes, there appears to be a correlative, rapid turnover of the retailer's buying agents. These buyers

have not properly interpreted consumer demand. Basically, they have not correctly interpreted the fashion changes. Possibly they have not had the opportunity to do so, especially if the store has no control system, or if the employer has unwisely dictated the buying policy. But the truth of the matter is this type of labor turnover is occasioned by a failure to forecast accurately the fashion trend.

Commercial Promotion of Fashion—Fashion can play such havoc with a man's business that it would seem he might well wish to be rid of it. On the contrary, it receives his solicitous care. The commercial promotion of fashion is a function of all the agencies engaged in the distribution of men's apparel. Its exercise involves a knowledge of fashion centers and of the sources of fashion information. The trend of fashion is scientifically determined by count and observation of fashions, and by carefully studying all available information on fashion. This makes for a scientific promotion of fashion by centering it around demand.

Not all distributors of men's apparel agree with the plan of building up a fashion merchandising policy around consumer demand. They insist that the distribution of fashion goods is a matter of dictatorship on the part of the distributor. Some outstanding manufacturers and retailers operate on this policy and are meeting with apparent success. In the opinion of the writer, however, this point of view overlooks the true nature of fashion—namely, the group acceptance of a particular style.

Men's Fashion Centers—Men's fashion centers are somewhat a matter of opinion. This opinion is conditioned by what is considered the standard for judging fashion centers. If one considers correct dress the standard, London is without doubt the greatest fashion center, although there are proportionately more well-dressed men in America than there are in England. If novelty is considered the criterion, Hollywood and Los Angeles would occupy a dominating position. New

York has long been considered the fashion center of the United States, and many fashions have originated among the well-dressed men of Wall Street. Incidentally, they have been an influential factor in continuing the use of the stiff collar.

Among the universities, Princeton, the University of Michigan, and the University of California may be considered the university fashion centers. The University of Alabama and Vanderbilt University exercise considerable influence on southern university fashions. These schools are outstanding in domination of university fashions. But, in considering the importance of university men as a group, it is necessary to state carefully the trends in men's dress at many universities. This is now the practice of prominent trade publications in making analyses of university styles.

Havana, Melbourne, Vienna, and other internationally known cities have contributed their share to men's fashions. Such sport centers as Palm Beach and Newport are likewise important. Of recent years, Chicago and Los Angeles have attained prominence. In no city was the double-breasted vest so widely accepted as in Chicago. And, strange as it may seem, many topcoats had their beginnings in Los Angeles.

Sources of Fashion Information—Several sources of fashion information are easily arrived at. In the first place, the fashion notes of trade publications may be consulted. Many of them, and notably the Fairchild Publications, make extensive studies of fashions. Their fashion reporters are continually checking all groups. It is not at all unusual to see fashion reporters of the Fairchild Publications counting styles at the Yale-Princeton football game, in Wall Street, or at prominent social gatherings. Fashion services, such as *The Gentlemen's Quarterly*, are also available.^a The merchandiser of men's wear may also avail himself of such articles as appear in *Vanity Fair*. Style shows, sponsored by trade associations and

^a*The Gentlemen's Quarterly* is the name of a publication distributed by William Weintraub's Style Service.

manufacturers, are a valuable source of style information. House organs and publications of the various manufacturers are an excellent source too often ignored by the retailer. Stylists in the employ of manufacturers are in a position to disseminate information on fashions. The manufacturer's stylist spends some time abroad, and also visits the leading fashion centers of the United States. It is his business to study what is being worn, and at the same time create new styles which he believes will become the fashion. There is an excellent opportunity here for manufacturers and retailers to work cooperatively in the matter of fashion information, it would seem an ideal arrangement.

In addition to seeking the sources of style information already mentioned, the retailer would find it profitable to have some member of his organization spend the major part of his time in attendance at various gatherings, and in observation of what well-dressed men are wearing. This information, checked with sales records, constitutes a most valuable source of style information. A prominent London store employs as a men's wear fashionist a man who moves in the smartest circles and whose tastes and opinions are recognized as authoritative in the men's wear sphere in England. This store's advertising features the fact that various garments are recommended by their fashionist. (A new departure in this store was the ticketing of each garment calling attention to certain style innovations.) This plan has also been adopted by a great many merchants in the United States.

In utilizing any of the secondary sources of fashion information, such as the trade journals and other publications, it is highly important that the retailer distinguish between what is really a fashion and what is advertised as a style, or called a fashion. It must be remembered that "fashion" implies group acceptance.

In respect to fashion information, it would seem that the supply is abundant if the retailer cares to draw upon it. That it is none too abundant for his need seems equally evident.

when we look at our next topic, fashion forecasting. To determine what style has been accepted by a group, and to build up a merchandising policy on this basis, constitute a critical test of a man's ability to succeed in his business venture.

Fashion Forecasting—If our analysis of fashion is correct then the problem of fashion forecasting is one of actually counting at well-chosen times and places the items of apparel which men are wearing. If successive counts show that double-breasted blues are increasing then there is simple evidence of an upward trend of that fashion.

All channels of distribution in the merchandising of men's wear are interested not only in what the current fashion is, but also in what the fashions are going to be. For purpose of prediction a succession of counts taken at equal time intervals and taking into consideration styles apparently becoming fashions is most important. The merchandiser of men's wear who from a study of such facts, can discover the new trends earliest and select those in which his particular consumer group will have an effective interest, probably stands the best chance of success.

In reality this is what the trade publications, manufacturers, and retailers are doing in an organized or in some cases unorganized manner. If the results of the counts are checked with sales records and merchandising policies outlined accordingly, the distributor of men's apparel is in a position to profit from his analysis of fashion. Many losses charged against fashion changes are actually due solely to the fact that distributors have apparently refused to accept the facts revealed by the fashion analysis.

The correct application of style forecasts in any given situation depends upon a correct analysis of (1) Psychology of the trade catered to. The psychology of people living in a resort area is obviously different from that of people living in a highly industrialized area, innovations in sport wear would

be more readily accepted by a resort group than by an industrial group (2) Climatic conditions in a particular vicinity, the popularity of white linen in the south is due to an extensive length of the summer season (3) The utility of particular styles that may show signs of reaching popularity, in industrial and agricultural sections, the utility of a particular style is frequently the dominating factor in determining whether or not that style will become a fashion (4) The attitude taken by prominent groups in the community toward the styles indicated in the forecast⁹ The force of imitation cannot be denied, and the attitude taken by prominent groups in the community toward a particular style may prove a governing factor in the general acceptance of that style It is for that reason that men's wear manufacturers expend considerable energy to secure, as customers, those whom others will be apt to imitate

It is easy to see in all this matter of fashion that there is opportunity for an infinite variety—and to the clothing trade—a most costly variety This has naturally led the trade, and especially the producing and distributing units, to endeavor to bring about what is termed fashion coordination and standardization

Fashion Coordination and Standardization—Fashion coordination is a function of all the producing and distributing agencies in the men's apparel industry It begins with the production of lines that are in harmony with each other But this harmonious production of fashion goods will fall short of its purpose unless the retailer supplements it with some plan for fashion coordination Such a plan will immediately show itself in the buying As it is now, most of the buying is done quite haphazardly, with no consultation among the departments, no effort toward a mutually cooperative consumer appeal, etc The clothing buyer does not "talk it over" with

⁹ Peter B. Junter, *The National Retail Clothier* March 21, 1929, p. 76

the neckwear buyer, or any other buyer, but each buys independently and in total disregard of the other's purchases. We have taken our illustration from the department store. The problem, however, is of much wider interest, while it concerns, of course, the local situation, and local differences enter in, yet fashion coordination is primarily a problem of the clothing industry at large. Its possibilities in the men's apparel trade are well illustrated in the application to store-buying of the "ensemble" and "blend" idea that have been so successfully introduced into consumer demand. An important step in this direction has already been successfully taken in the style show put on by trade associations, specifically, such affairs as the Golden Fleece Pageant, sponsored by the Wool Institute.

Not only is fashion coordination essential and effective in minimizing the merchandising problems occasioned by fashion, there is needed also the help that can be afforded by style standardization. The plan of the Hat Institute is cited to illustrate this point. The Hat Institute has devised a plan whereby manufacturers of hats will, through the medium of the Institute, determine style trends for the forthcoming season. These trends are to be followed by each producer in accordance with his own interpretation. The virtues of cooperation are here gained without the loss of the stimulating value of competition. The Hat Institute has also pioneered in the development of color standardization by urging all manufacturers to adopt a standard color card for hats and to use the same terms in describing each color. As it is now, a new popular color is given eight or ten designations and is modified in eight or ten different shades. The result, of course, is confusion and, frequently, loss of the customer, because he may feel that he has not been shown the latest color.

Correct dress charts, together with color harmony charts, should serve as useful guides to the retailer both in his buying problem and in giving fashion advice to his customers. The

Day Wedding, Formal Day Reception		Matinee, Afternoon Call, Informal Reception, Promenade, Church	
Overcoat—	Black blue or oxford Chesterfield with fly front or double breasted frock overcoat or guards.	Overcoat—	Black blue or oxford Chesterfield fly front or guards. May be fur lined.
Coat—	Black or oxford cutaway or frock coat	Coat—	Black or oxford sack single or double breasted, or cutaway
Waistcoat—	To match coat or brown tan or dove gray linen or white (for weddings)	Waistcoat—	To match coat or fawn gray brown smoke or pearl single or double breasted.
Trousers—	Black cassimere with white hair line stripes or gray unfinished worsted in neat stripes.	Trousers—	Black cassimere with white or colored hairline stripes.
Hat—	High silk	Hat—	High silk (with cutaway) or derby (with sack)
Shirt Collar—	Stiff or pleated pique or linen white. White wing collar	Shirt Collar—	White pleated with stiff double cuffs. White wing collar
Cravat Muffler—	Ascot black or gray striped four in hand or gray or polka dot bow. Black white or gray white muffler	Cravat Muffler—	Gray or dark effect four in hand bow or Ascot. Gray or dark effect muffler
Gloves—	Pearl suede or mocha	Gloves—	Gray suede, cape or chamois
Boots Hosiery—	Black patent leather boots with gray tops or black oxfords with light spots. Plain black, silk socks.	Boots Hosiery—	Button high shoes or lace patent leather oxfords. Black silk socks plain or with black or white clocks.
Jewelry—	Pearl links and studs. pearl pin for Ascot	Jewelry—	Pearl jeweled links studs and pin
Evening Wedding, Reception, Ball, Formal Dinner, Opera		At Home Dinner, Informal Dinner, Club Stag, Country Dance, Theater	
Overcoat—	Chesterfield black or oxford single breasted fly front or cape or fur lined coat	Overcoat—	(chesterfield black or oxford single breasted fly front or fur lined coat)
Coat—	Formal evening dress	Coat—	Dinner coat single or double breasted
Waistcoat—	White pique single or double breasted	Waistcoat—	Black or gray silk single or double breasted in self patterns or to match coat white washable single or double breasted
Trousers—	To match coat silk braid on out seam	Trousers—	To match coat
Hat—	High silk, or opera (for opera)	Hat—	Derby or gray rolled edge or black soft or opera hat (for theater)
Shirt Collar—	White stiff linen or pique single stiff cuffs to match. White wing collar or polo	Shirt Collar—	White pleated or stiff bosom. Stiff double cuffs. White wing collar
Cravat Muffler—	White pique or linen bow. White muffler	Cravat Muffler—	Black bow. Black and white or gray and white muffler. White muffler (for theater)
Gloves—	White suede or kid	Gloves—	Pearl suede white mocha, or white buckskin
Boots Hosiery—	Black patent leather oxfords or black pumps. Black silk socks, plain or self clocked.	Boots Hosiery—	Black oxfords or black pumps. Black silk socks plain or with black or white clocks.
Jewelry—	Pearl or jeweled links and studs	Jewelry—	Onyx or jeweled links and studs or plain gold or pearl black or white

Figure 1 Correct Dress Chart—Fall and Winter 1928 1929

(Reproduced by permission of *The National Retail Clothier*)

Morning Wear, Lounge, Business		Country, Traveling, Golf, Motoring, Riding	
Overcoat—	Charterfield ulster or hawbuck or guards. May be fur lined or rough fur coat	Overcoat—	Tweed homespun or camel's hair. Radnor or strait, lit shoulder loose fitting. Ulster rough fur
Coat—	Single or double breasted sack or cutaway	Coat—	Norfolk or half belted jacket with patch pockets or (for riding) homespun tweed or gabardine riding jacket
Waistcoat—	To match coat or different color	Waistcoat—	To match coat or fancy
Trousers—	To match coat or striped trousers with cutaway or black sack	Trousers—	Knickers to match coat or (for riding) riding breeches or Jodhpore trousers or (for motoring) long trousers
Hat—	Soft hat or derby	Hat—	Soft or cap
Shirt Collar—	White or colored negligee or plated. Soft cuffs. White or matching turndown collar white wing	Shirt Collar—	White or colored collar attached or collar to match. Soft cuffs
Cravat Muffler—	Four in hand or bow. Fancy silk, wool or knit muffler	Cravat Muffler—	Crepe or foulard four in hand or fancy bow or stock (for riding). Cashmere muffler
Gloves—	Mocha, chamois or cape buck skin, reindeer, pugskin, cat skin, goatskin	Gloves—	Gray, suede or chamois, buckskin, pugskin, goatskin, reindeer, cape, or white wool
Boots Hosiery—	Black or tan oxfords or brogues. Lisle wool or silk and wool socks	Boots Hosiery—	Brogue or sport shoes, tan or fancy oxfords. Riding boots (for riding). Golf stockings or socks
Jewelry—	Gold or jeweled links	Jewelry—	Sport pins and links

Figure 1 (Continued)

correct dress chart and the chart showing colors to harmonize with the complexion are reproduced on pages 72 and 104.

Before leaving this topic of fashion in men's apparel the reader may find interesting a brief history of men's fashions. In the course of the story some of the principles of fashion are well described, together with some observations as to current fashion.

History of Men's Fashions¹⁰

Men's Fashions Prior to 1789—Prior to the French Revolution in 1789, men's clothing was as fancy and as colorful as the clothing of women today. Men's garments were heavily embroidered or trimmed with lace and decorated with multitudes of buttons and buttonholes, braids and other materials.

¹⁰ Considerable material on the 'History of Men's Fashions' was secured by the author while studying under Paul H. Nystrom at Columbia University. Dr. Nystrom in his 'Economics of Fashion' Ch. 13 has an excellent discussion of the history of men's fashions.

Men were even experts in what are now known as exclusively feminine accomplishments, such as crocheting, embroidering, etc

Prior to 1789, the outer apparel of men consisted of a long coat, generally collarless (although fashion varied in this respect), a waistcoat that usually extended nearly to the knees, knee breeches, stockings of silk, wool, or cotton, and buckled shoes. The use of boots came in after 1789, and particularly after the opening of the 19th century.

There was no particular fashion dominance during this period, although Louis XIV ordered his lackeys to dress in the fashion of Charles II. Thus the fashions originated by Charles II were effectively blocked. So, from the time of Louis XIV down to the French Revolution, French fashions dominated the whole of Europe and America as well, although indirectly, for the French fashions came to America via London.

It may be noted that, of the American colonies prior to the Revolutionary war, New York then, as now, contained the greatest number of people keenly interested in fashions. Boston and Philadelphia lagged behind while the leading families of Virginia kept abreast of the fashion.

Influence of the French Revolution—The immediate effect of the Revolution in France was the disappearance from the streets of Paris of people dressed in fine clothing of any kind. The rise of the proletariat made it exceedingly dangerous even to look as if one might belong to the nobility or aristocracy of the former regime. So, during 1789 and 1790, the typical dress of both men and women was such as would attract no attention at all, nor lead the mobs to believe that the individual was not a member of the proletariat or working class. Knee breeches, which had been the customary garb of gentlemen, gave way to long pants. Twenty-five years later,

knee breeches had almost entirely disappeared from the customary attire of men

The political ideals of the period of the French Revolution emphasized the desirability of democratic government. The success of the American nation was referred to frequently. The popularity of Benjamin Franklin, who had been at the court of France for many years, also helped to fix in the minds of the leaders of the Revolution the American type of personality and of apparel, so that it is not surprising that the fashions of France at this time were considerably influenced by America.

By 1794, this vogue for the simple had spent itself, and it was followed by a period of extravagance in spending for clothing. People went to extremes, not only in spending, but in types of apparel. Fashion acted as if it had been held back for years, and then was suddenly released. Historically considered, this was just a wave of fashion extravagance and fashion soon readjusted itself.

From 1800 to 1825 (Empire Period)—During the Empire period, the long-trouser movement continued. During the 20's the men, not only in France but in other western countries, and including the United States, gave up wearing knee breeches except for formal occasions. This trend of men's fashions met with considerable opposition. For example, students of Oxford and Cambridge were counted absent if they wore long trousers. The Duke of Wellington was turned away from London's most famous restaurant when he appeared wearing long trousers. The wearers of these garments were condemned by the clergy as being immoral, and by others long trousers were held to be the badge of the radicals or Reds of those times.

The word, pants, a contraction from the word pantaloons, which was commonly used fifty years ago, is said to be derived from the name of Saint Pantaleone. In the old Italian plays this character was always represented in this sort of a garment, many years before it was ever considered for regular wear.

Up to 1800, in France, England, and the United States, fashion had generally favored smooth shaving. At the opening of the 19th century, long beards began to come into vogue, and long trousers as well. In general, carelessness of dress came to be considered characteristic of a democratic people, that was in opposition to the governments of the day. In time, however, these anti-aristocrats became the dominant forces and carried their fashions with them into high positions.

High boots, known as Wellington boots, were adopted for popular wear during the period from 1800 to 1825. These boots were originally worn by soldiers in Wellington's army during the Napoleonic campaigns.

Another type of garment which came into general use during this period was the swallow-tail coat which kept pace with long trousers. These coats were the typical outer garments worn by business and professional classes from 1800 up to 1825. They are used for formal wear in present-day clothing.

Other features of this period were the extravagant types of collars. They were merely wrappings with many thicknesses of fabric of such width as to make it difficult to understand how a well-dressed gentleman of that time could move his head at all in any direction. The high hat, also, marked this period. In the beginning it was made of wool felt, but in years following was made of beaver. Our present silk hat is the offspring of this high hat.

From 1825 to 1845—During this period, men's apparel changed and somewhat for the worse. A waistline developed and not a few men began to wear corsets not only in America but in Europe and, particularly, in the continental countries. Men wore more jewelry and cultivated waves and ringlets in hair-dressing. This period was further characterized by high padded shoulders, tight waists, and very long tight trousers. The tighter the trousers, the more genteel they were considered.

It was during this period that railroad transportation by steam originated and spread very rapidly both in the United States and in Europe. The smoke, dust, and soot of steam railway travel made great difficulties for the well-dressed gentlemen. By the end of the period, dark suits, black or brown, were the rule. Before the middle of this period, knee breeches had completely passed out and long trousers were worn by all classes and at all social occasions. At one time during this period, and persisting for a number of years, a fashion was introduced of strapping the long trousers under the instep of the shoes. The typical Uncle Sam of the cartoons even of today, showing his trousers strapped under his shoes, has come down from the period of the 30's and 40's.

Influence of Fashion Dandies—Up to the 18th century in practically all European countries, men's fashions had originated with the kings and nobles. And as has been previously noted, active competition for fashion influence developed among the kings. The ruling houses in England during the 18th century had not been very popular with the fashionable people of England, and it was not until the 19th century that there again developed any spirit of such loyalty as might lead to active imitation of the sovereign.

Similarly in France, imitation of the king declined after Louis XV's rule, and the control of fashion passed out of, and beyond the hands of kings. In their stead, certain private individuals came to have outstanding influence over fashion and fashion trends in men's apparel. These individuals were called "Dandies," "Bloods," "Beaux," "Bucks," "Exquisites," "Petits-Maitres," and similar titles.

The first of the great dandies was Robert Fielding, who came into prominence during the reign of Charles II in England. He continued to exercise a peculiar and striking influence over fashion imitation for some years following Charles II's reign.

The second dandy was Richard Nash, commonly called Beau Nash, who was born in 1674 and died in 1762. The King of England personally assisted him in getting a position as Master of Ceremonies at Bath. His duties were to make regulations for the visitors covering deportment at the balls, matters of dress, and other social items. Nash did not exercise so much ingenuity, or initiative, in starting new fashions as in adapting the fashions which came to the country largely from France, devoting his efforts chiefly to making them more suitable and attractive for British men.

The next important figure was George Bryan Brummell, born in 1779 and died in 1840. Lord Byron characterized Brummell as one of the three greatest men of this time, the other two were Napoleon, and, as one might expect, Byron himself. The Prince of Wales, who later became George IV, made Brummell an officer in his own regiment. Like Beau Nash, Beau Brummell was noted for exquisite propriety in dress, and Englishmen came to consult him on all sorts of sartorial questions. About 1812, the Prince of Wales broke off relations with Brummell, but, even after the Prince had withdrawn his patronage, Brummell continued to rule on questions of men's styles. Under a plague of debts, he fled to France and died in an asylum in 1840.

Many of the fashion innovations of this period were attributed to the Prince of Wales, although it is more likely that Beau Brummell was responsible both for their introduction and popularization. Brummell was also responsible for the reintroduction of starch shirts, collars, and cuffs. He was the first prominent Englishman to adopt the practice of changing shirts once a day, was probably one of the first to wear the shiny black shoe and make use of shoe blacking. Perhaps Brummell's chief claim to preeminence in the art of dress was his eye for propriety and taste in line and tailoring, rather than the adoption of new and radical fashions. This fact was so

well known that his patronage assured the commercial success of any tailor.

The last of the fashion dandies was Count Alfred D'Orsay, born in France in 1801, and died in 1852. Count D'Orsay was probably one of the handsomest men of his time. He also possessed talent in the arts, which his forerunners as fashion arbiters did not seem to possess. He was accounted one of the best sculptors and painters in his time, as well as a writer of considerable ability.

Count D'Orsay assumed many of the functions relative to fashion that had formerly been exercised by Brummell. He was a friend of Lord Byron, of Lord and Lady Blessington, and a strong advocate and supporter of Louis Napoleon. Much the same as Beau Brummell, D'Orsay died in neglect and poverty.

Fielding, Nash, Brummell, and D'Orsay, the best known individual fashion dictators among private men in modern history, are without counterparts. Under present conditions the dandy is inconceivable. Fashion trends are now much more dependent upon groups than upon individuals.

Men's Fashions from 1845 to 1870 — The most outstanding fashion development during 1845-1870 was the general introduction of the so called Prince Albert coat during the latter part of the 50's, and the 60's. Prince Albert's visit to the United States in the spring of 1860 undoubtedly added a great deal of impetus to the movement for the adoption of this coat by the well-dressed men in this country.

About this time, the high top hat began to give way to the soft felt hat which first came into use in the early 50's. Several forces contributed to the decline of the one and the success of the other. First, the armies of American soldiers who participated in the Mexican war, brought back with them as souvenirs many Mexican felt and straw hats. These attained something of the nature of a fad. Next, the gold rush to

California in 1849 and 1850 helped the soft felt hat movement. The high top hat had small favor in the equipment of gold-seekers. Finally, in 1851, the visit of Louis Kossuth, the Hungarian patriot, who wore a soft felt hat and whose visit attracted a great deal of enthusiasm wherever he went, helped to fix the fashion.

For outer clothing overcoats were used, but in addition, all men possessed and used shawls, in some cases these were used instead of topcoats.

Another fashion was a type of peg top trousers which had been introduced from France. Louis Napoleon had authorized a standard uniform for the French army in which trousers of this type were a part of the regulation outfit.

The spirit of the period, however, urged the wearing of ordinary American apparel by American representatives in the diplomatic circles abroad. During Pierce's administration ambassadors were ordered to wear regular American costumes. Trouble followed at nearly every European court, and for several months the newspapers carried more news about the difficulties of American ambassadors trying to wear American business clothes at court functions than about the current wars.

From 1870 to 1900—This was a period of fashion indifference. It was an era in which great industrial progress was made and intellectual movement seemed to be in the direction of the utilization of natural forces, rather than in such matters as wearing fine clothing.

It was during this period that factory-made clothing secured predominance over tailor-made clothing. In its earlier stages, factory-made clothing was of a very poor quality and poor in appearance. By the end of the century, factory-made clothing was the equivalent in style, as well as workmanship, of the tailor-made clothing of the preceding period.

From 1900 to Date—Since 1900, there have been very few radical changes in men's apparel. During the first five or six

years of the 20th century the styles of clothing for men seemed to aim at emphasizing size and physical strength. Men looked like giants, for shoulders were, by means of padding, made very high and broad.

In 1906, men's coats were made longer and some of the padding was removed. The peg top trousers was introduced, and this rather heavy type of suit continued to 1911 or 1912, when a shorter coat was adopted with a soft rolled lapel, easier body lines, and less padding.

With the opening of the European war, the military influence made itself felt in the development of a high waist line, well accented collars that came closer to the throat, and other similar touches of military character. In the latter part of the war period, came the jazz styles, also high waisted, with waist seams, pinchbacks, sometimes with only one button, and altogether extreme in appearance, as men's apparel goes. In 1920 this type of clothing began to decline and since then there has been but little change. A possible exception is the overcoat which, about 1924, changed from the double-breasted military or trench coat to that of the tubular line or design.

Significant of this latter period was the decline in the amount of clothing worn. For example, back in the fifties, underwear weighing as much as four pounds was in common use and was of pure wool, dyed red. It was believed that the red color had a therapeutic effect. In the early 1900's, athletic underwear, first in shirts and drawers and then later in union suits, began to be used. This new type of underwear was made from cambric, muslin, or nainsook.

Invention and use of the motor car have influenced the men's clothing to a marked degree. In the early 1900's, the automobilist was garbed in the linen or cotton duster coat, goggles, and heavy cap. About 1905 new coats were devised for motor use. Hats too, have been influenced by the auto-

mobile, and the decline in the use of derby hats has been largely due to their impracticability for motoring

The American interest in sports has been a powerful influence in men's fashion. The use of knickers, Norfolk suits, and flannels is undoubtedly the result of sport influence. In this field of sports, men's styles have contributed to women's

Again, speaking in general terms, developments in men's clothing have been in the direction of simplification. As has been noted, less clothing is worn and what is worn is of lighter weight than formerly used. Men used to wear two or three weights of clothing as well as of underwear. Now, year-round garments in practically all items of men's dress are used. In the main, these constitute the major changes in men's apparel.

Specifically, the latter part of this general period from 1900 to date is marked by the emergence of a new dominating group in men's fashion. Widespread interest in college education, and the presence of what might be called a college type, have brought the university man to the fore as a source of style dominance. University men as a group now constitute a major source of clothing styles. Floating universities and the competition between European and American sportsmen are also leaving their mark on the togs of the typical American.

Fashion in American Universities¹¹—As late as 1918, little attention was paid to college clothes. The year 1921 saw some interest in university togs on the part of manufacturers, but by 1925 all producers were endeavoring to increase their college trade. Eastern college circles warmly greeted the first three-button Brooks model, which in 1919 was changed to the four-button Brooks model. By this time the New Haven tailors, Finchley's of New York City, and one or two eastern manufacturers were entering the college market.

University trade is developed by the retailers' sending representatives to college towns. This situation became so

¹¹ Kenneth Dameron *The Clothier and Furnisher* July 1927 p. 84

acute in 1919 that local retailers began to inquire from their manufacturers for the models being sold by the outsiders. Manufacturers thereupon began to copy the Brooks model and through their merchandising it became popularized through the West and Middle West, continuing through 1921.

The East, as early as 1920, had adopted the Norfolk, but it was 1923 before the popularity of this model captured the West and Middle West. It is interesting to note that at that particular time the Norfolk was accepted for business and town wear. Today, we have a revival of a Norfolk but only for sport purposes.

Following the Norfolk vogue, university men in general settled down to the three-button coat. The outstanding style variations were to be found mainly in the width of trouser bottom, spacing of coat buttons, length of coat, length of trousers, and high or low-cut vest. Superimposed upon this general background are several styles which have enjoyed varying popularity with college men. In 1919, it was the bell-bottomed trousers, followed in 1920 and on by the wide, straight trousers, and in 1926-27 by the narrower trouser, although mid-western college boys are still reluctant to give up the wide trouser. Double-breasted vests, plaid top trousers, short coats, vent and ventless back coats have had their sway. Despite these innovations, the typical three-button coat with conservatively wide trousers is the prevailing fashion for university men.

The university world has given men wide trousers, the ventless back coat, and for a time the three-button coat. However, the different fashion-dominating groups do not move with uniformity and other groups, in contrast to college men, have been quick to take over the two-button coat.

A final and most interesting change in college dress is found in the recent transition from soft cashmeres to unfinished worsteds. In making this change the college man has taken over the mode from other groups.

The historical sketch of fashion in men's apparel thus furnishes supporting evidence for the established principles of fashion. Furthermore, this historical material offers to the advertising department of any trade channel an opportunity to write human-interest copy.

Fashion Sidelights—Two-piece underwear with striped trunks has received popular acceptance during the past eight years. This vogue probably originated with the Yale football teams, whose members wore gym suits in place of underwear. A member of the Vanderbilt University football squad passed this information on to his uncle, an underwear manufacturer. He seized the opportunity to inject more fashion into men's underwear. Sales records indicate that about 65% of underwear sales are of this design. The rayon shirt is effectively used with the awning-striped trunks. Here is an instance where women's fashions have followed men's fashions.

Stylists are now interested in developing underwear for specific purposes. For example, the consumer is urged to purchase one type of underwear for sports, and one for general use.

Pinchback suits were probably first worn by New York business men who desired to wear their golf suits to business. This coat was soon copied and became a popular item of everyday apparel.

Cuff trousers came as an outgrowth of the practice of Englishmen to turn up their trousers on rainy days in order to keep them (the trousers) dry. Now, the trouser cuff marks off the business and everyday suit from the suit for formal wear.

Incidentally, hosiery sales have been increased because of the style of trouser cuffs.

Summary—Fashion is a summary expression of consumer demand. It is established through the social (i.e., group) acceptance of a style. The merchandising problem occasioned

by fashion is one of scientific prediction as to what the fashion will be and then development of merchandising policies in line with the fashion trend. This does not mean that new styles are not to be created and offered to the market but it does imply that "fashion risk" is minimized by an understanding of the nature of fashion, and that the bulk of business is done by the merchandiser who keeps in step with the fashion trend.

Fashion in men's apparel is a many-sided subject. This chapter has treated it almost wholly in its influence upon merchandising policies through the problems it presents in that field. But fashion may, in one sense, almost be said to be a craft; certainly much technical skill is needed to meet its requirements successfully. In the technique, so to speak, of fashion or fashioning, the matters of size and fit in men's wear are so important that they have been reserved for the following chapter.

CHAPTER 4

SIZE AND FIT IN MEN'S WEAR

Sizing and fitting are in part a technical problem, but it is easily to be seen that they are also to be reckoned with as having their own bearing upon merchandising policies. Such factors as price competition based on skimp-cut garments, alterations, cancellations, and returns due to wrong size and cut, and the need for standardization of sizes are merchandising problems. Further, the proper size and fit are partly determined by the fashion of the time, in so far as they reflect consumer dress habits. It was consumer demand, in fact, that forced the development of the size pattern, and customer criticism of wearing apparel has resulted in many changes in garment construction. Size and fit imply the adaptation of a garment to a particular individual, not with respect to body measurements alone, but to color of the eye, hair, and skin as well. Sizing and fitting are clearly a definite part of consumer demand, and as such we shall proceed to analyze them.

The objectives of our analysis are presented under the following heads: (1) sizes, the development of sizes, physical sizes and types, distribution of sizes, size standardization, (2) alterations, adaptation to wearer, and criticism of men's apparel.

Sizes

The Development of Sizes—The early tailors were more concerned with properly fitting the individual than with the development of size patterns designed to reach a group of people. Later, because of the seasonal variation in demand, many tailors began to produce ready-made garments. The size

standards adopted were based on measurements occurring most frequently in their records. No scientific investigations of average proportions were known of at that time and each garment was designed to fit as wide a range of figures as possible. As a result the suits were loose, baggy, and shapeless. But, although tailors were as yet unaware of it, the foundation for scientific analysis had already been prepared.¹

In 1532 Albrecht printed at Nuremberg the first known treatise on human proportions. This treatise appears to have been written with the object of establishing an ideally proportioned figure as a guide for painters and sculptors. It was the first application of anthropometry to aesthetics. It was also the basis upon which other proportion lists were developed for the garment trade.

In 1818, J. Golding, of London, incorporated in his book on geometric cutting a complete list of anatomical proportions for men's and children's sizes. Later on Dr. Wimpson of England, published a series of books on anthropometry, which were especially adapted to the cutting of garments for human beings. This work has proved a classic in its field.

Influence of Civil War—In the United States, the period of the Civil War marks the first real interest in sizes. The government ordered large quantities of clothing for soldiers and kept some record of body measurements. These records supplied a foundation upon which some manufacturers estimated sizes. Others arrived at some sort of standard measurement by a process of trial and error. Complaints from customers forced some manufacturers to devote more attention to their sizings. Meantime scientific interest was productive.

In 1880, Daniel Edward Ryan compiled and laid out a scientific form for the various measurements of the human body which are essential in garment cutting. Ryan gave to the cutting industry the first practical table of proportions for

¹ Harry Simons, *Men's, Women's and Boys' Proportions*, p. 5.

men's, boys', and juvenile clothing. Following Ryan's publication, a number of teachers of different cutting systems published various lists of proportions. Also the work of certain manufacturers and of such groups as the International Association of Clothing Designers has had a good influence on the development of proper sizes.

Large-Scale Production Demands Size Standards—

Before the Civil War, a considerable amount of men's clothing was factory made. These factories were small and the product was intended for workmen, sailors, and slaves. Large-scale production of clothing is a product of the past fifty years. With this development of the factory system of clothing production, standard sizes became absolutely necessary. Factory production was impossible without them. Proper size and fit became even more important when, in the latter part of the nineteenth century, many turned from tailor-made to ready-made garments. Here, more than ever, consumers demanded properly sized garments and their insistence forced producers to give scientific attention to this problem.

With the problem of size thus more or less worked out, attention was next centered on the construction of garments so as to meet the needs of the various body types.

Physical Sizes and Types—For purposes of sizing, young men of ages 15 and up may be classified with the adult group. The number of adults in the population, calculated on this basis, comes to about 68% of the whole. Out of a present population of 120 million people, there are some 80 million adults about equally divided between men and women. There are, in addition, about 12 million boys and 12 million girls of ages 5 to 14, and something over 13 million children under the age of 5. About half of this total population, clothing manufacturers found, are sufficiently alike to be fitted by cloth-

² Among the better known teachers of design were John A. Carlstrom and Charles Hecklinger of New York City.

ing made according to regular standard sizes. Of the young people between the ages of 15 and 19, it is estimated that approximately 90% can be fitted with the standard sizes for these ages, about half of the adults from 20 to 44 can also be cared for with standard sizes but, from the age of 45 up, only a third of the population can be properly fitted with standard sizes. In early maturity, there is less variation in shape and proportions of the human figure than in later life.

For many years, manufacturers of apparel made no effort to meet any but standard requirements. Shortly after 1900, considerable progress began to be made in the construction of ready-made apparel for other than normal sizes, especially for stouts. Since 1910, there has been even greater progress in the production of garments suitable for men who cannot be fitted with regular standard sizes. Today, most manufacturers of men's clothing offer not only the regular sizes but also sizes conforming to different body types. Each type is produced in a complete range of sizes. Two purposes are served: first, to meet a customer demand, and second, to minimize the necessity and expense of alterations.

Special Sizes Conforming to Body Types—To understand these special types and sizes, it is first necessary to describe the "regular." The regular has a figure which conforms approximately to the average. That is, if a man measures 37 inches around the chest, he will have a 32 inch waist, 39 inch hip, and be very close to 5 feet 8 inches tall. For other regular sizes, there is a 5 inch difference, or drop, between chest measure and waist measure in size 38 and all smaller sizes. In size 39, and larger sizes, there is a 4 inch drop.

To meet the demands of those who are not "regular," the following body types, commonly referred to as special sizes, have been developed: long, short, extra short, stout, short

* Hickey Freeman: Regular Fellows and Other — A Handbook on Special Sizes

stout, long stout, forward stout, portly, long portly, short portly, forward, young stout, stalwart, and corpulent. Although these names are fairly descriptive, a statement of the important variations will be useful.

The short generally carries a large chest measure but lacks the average corresponding height. This type needs a specially built coat, vest, and trousers. The regular suit will, therefore, be too long in respect to all three garments. The extra short presents the same problem on a larger scale. With the "long," just the opposite situation prevails. For example, the long has a 37 inch chest, but is 5 feet 10 inches or more in height and his clothes all need lengthening. The long is designed to fit this type.

The stout, as the name implies, is a man proportionately stout. "Stouts" are usually sold in 39, or larger, and are graded from size 40. In the stout, the waist measure is the same as the chest measure. The arm scye has the right pitch to give this type of man ample room and the trousers are designed with the same point in mind. The wearer thus attains comfort and, at the same time, has a trim, attractive-looking suit. The stout is made in several modifications, such as the young stout, short stout, long stout, and forward stout.

The portly type is just a bit heavier than the regular and still not a suitable customer for a stout. Consequently, an in-between garment has been designed for him. The short portly and the long portly take care of deviations from the average portly type. For example, a short portly would be a size 40 built for a man about 5 feet 6 inches tall.

The corpulent is constructed for the very stout individual who cannot be fitted in a stout. It is only recently that the corpulents have been able to find any garments to fit them in men's ready-to-wear stores.

The stalwart is built for the young man with slender waist, who has more than the average muscular development.

As a type, the "forward" customer is generally round or

stoop shouldered, and a regular coat pulls away from his collar at the back. To adjust this in a regular would require an expensive alteration, and the retailer finds it more advantageous to stock suits specially designed for the forward. Some readers may be wondering, at this point, what are the advantages, if any, of stocking all these special types. Does it not involve a large capital investment and a greater customer risk?

Advantages of Stocking Special Sizes—The manufacturer, in producing special sizes, appeals to a wider market. So does the retailer in stocking them. Practically every retailer has many customers in his community whom he is unable to fit with the regular sizes. By analyzing these customers and stocking special sizes to fit their type, he attains that desirable end, a larger group of satisfied customers. Another advantage secured is a better ability to compete with the high-grade tailor. Before the introduction of special sizes men difficult to fit were forced to patronize tailors, now, it is possible for them to purchase ready-made clothing that is thoroughly satisfactory in every way. And the retailer has increased his sales and widened his consumer appeal.

As important as increased business is the reduction of alteration expense, made possible through the sale of special sizes.⁴ In order to make a sale, many retailers used to sell garments in no way adapted to the customer and which, therefore, required laborious, expensive alterations. Customers in these times are more critical and better educated as to what constitutes a perfectly fitted garment than ever before. A customer may tolerate numerous alterations once or twice, but, for his next suit he will seek a retailer who has stocked sizes specially designed for his type.

A Balanced Order—How is the retailer to determine just how many of each of these special sizes he should stock?

⁴ Hickey Freeman, *Standard Alterations* pp. 6-7.

First of all he should make an analysis of his trading territory to determine the extent of irregular body types. His alterations slips provide a second source of information. Likewise, he may study the clothing sales that he has failed to make, in order to ascertain those that were lost because of improper fit. Finally, he may profit from the experiences of others. Upon request, manufacturers are willing to send out model balanced orders based on their records. Below are estimates of one manufacturer based on actual orders taken from merchants throughout the United States.*

TABLE 2 PRODUCTION ESTIMATES BASED ON BALANCED ORDERS OF SPECIAL SIZES AND REGULARS

GROUP A (100 Suits)	Distribution	GROUP B (500 Suits)	Distribution, in Terms of Per Cent of Total Order
Regular	50	Regular	45
Long	9	Long	6
Short	15	Short	15
Stout	8	Extra Short	2
Short Stout	3	Stout	6
Long Stout	2	Short Stout	3
Portly	5	Long Stout	2
Short Portly	3	Forward Stout	2
Long Portly	2	Portly	4
Forward	3	Long Portly	2
Total	100	*Short Portly	3
		Forward	3
		Young Stout	3
		Stalwart	2
		Corpulent	2
		Total	100 %

Another manufacturer's survey shows that out of every hundred suits purchased, the average store should have 49 regular, 20 shorts, 18 stouts, and 13 longs. Retail clothiers should work out estimates based on their own requirements. They should be able to fit any man in their community, no matter what his build.

* Hickey Freeman Regular Tailors and Others, *op cit*

Changes in Body Types—Manufacturers and retailers who study their records find that body types change periodically. These changes are noticeable from every 7 to 10 years and may be accounted for, in part, by basic changes in human proportions. Other factors, from the tailoring viewpoint, which cause body types to change are basic changes in fashion, activities of the people, and the flow of immigration. Seasonal differences are also noted.

Wartime training and interest in sports has affected posture, making it necessary for designers to build garments for more erect figures. On the other hand, the automobile has made men slouch more. In the South there is a tendency for men to slouch forward with heads down and shoulders narrowed. In the Middle West and East the tendency is for men to stand more erect.

Immigration has produced variations in body type depending on the physical characteristics of the various nations represented.

In the discussion of body types and special sizes, estimates were presented, based on two balanced orders with reference to types. As yet, we have not considered actual distribution according to sizes, such as 36, 38, and so on. This aspect of sizing will now be considered.

Size Distribution—In order to be able to meet the demands of customers, both the manufacturer and the retailer must be informed as to the demand distribution of sizes. When statistical studies of measurements cover a large number of cases, the distribution of sizes, if presented graphically, assumes a bell-shaped curve. The greatest number of individuals naturally falls nearest the average or modal point of the curve of distribution, and the number of individuals diminishes, in agreement with the variation from the average, or mode.

This fact is illustrated in Table 3 and Figure 2 on pages 94 and 95.

TABLE 3 SIZE DISTRIBUTION OF REGULARS BASED ON MANUFACTURERS' RECORDS

Sizes	Total Sales	Sizes	Total Sales
33	20	39	90
34	50	40	130
35	85	42	75
36	150	44	30
37	130	46	20
38	160		

In a single order, the size distribution of men's suits in regular size ranges would probably be as follows

Size	Number of Suits to Buy	Size	Number of Suits to Buy
34	1	39	6
35	3	40	8
36	6	42	4
37	9	44	2
38	10	46	1

From the foregoing tabulations, it will be observed that sizes 37 and 38 are the middle or average points for which the greatest number of individual suits are to be provided. It is probable that garments made for the 38 chest measure will fit more men than any other single size.

Ordinarily, a range in sizes from 34 to 46 will take care of the majority of customer requirements in most communities.

Size 39 appears to be an exception to the rule that variations from the central average fall off regularly and gradually toward both larger and smaller sizes. This may be due to the fact that men with chest measurement of 39 prefer a looser garment, and so take a size 40. In times past, there were no odd-inch sizes. The smaller chest requirements require somewhat more careful fitting than the larger sizes, for the reason

that these sizes are generally worn by younger men who are, as a rule, more particular than older men about the fit of their clothes. This accounts for the full range of sizes by inch gradations below 39 and by 2-inch steps above 40.

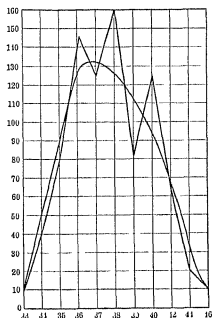


Figure 2 Size Distribution of Regulars Based on Manufacturers' Records

Retailer's Analysis of Sizes Sold—Along the foregoing lines, the manufacturer has worked out the *general* features of size distribution. But the dress habits of communities vary decidedly and often surprisingly. Too few manufacturers, however, have any direct means of getting an exact knowledge of the consumption of sizes in specific communities. The contact here is between the retailer and his community consumer group. Specific studies of certain retailers hold considerable interest, therefore, for the alert manufacturers.⁶

⁶ *National Retail Clothier*, October 15, 1925, pp. 78-90.

Based on sales analysis one dealer found that 38 was his best selling size in 3 piece suits, while in summer suits the best seller was size 40. Further, a larger number of stouts were sold in summer suits than in regular suits. It is reasonable to assume that size 40 supersedes size 38 in summer months because many men who go to tailors for their regular fall and winter clothing, are less inclined to be critical of the summer clothing and will wear ready-made summer suits. Then, too, the desire for greater comfort sometimes makes them tolerant of a less perfect fit.

Another retail study indicated that more sales were made in the larger hat sizes than in the smaller sizes. These data are summarized in the following table.

TABLE 4 AVERAGE HAT ORDER FOR YEARS 1923, 1924, AND 1925

Size	6-3/4	6 7/8	7	7 1/8	7 1/4	7 3/8	7 1/2	7 5/8
1923	1	2	3	3	2	1		
1924		1	3	5	5	3	1	
1925			1	3	6	4	3	1

These figures, it will be noted, indicate a definite increase in the demand for the larger sizes and a falling off in the demand for the smaller sized hats. One reason for this shift in demand is change in the fashion of wearing hats. For example, young men used to wear hats straight across the top of the head. Now, they have taken to putting them on the back of the head and pulling them forward.

The experiences of all retailers, of course, will not conform to the results found in the studies referred to. Such studies emphasize, however, the importance of analyzing consumption according to sizes, and should be borne in mind when buying policies are being formulated.

Thus far, we have been speaking of sizes as if they were uniform, and we have implied that a size designation, such as

a 36, was standardized. Unfortunately, such is not the case. We have standard pounds, bushels, quarts and other units of weight and measure, but no standard sizes. Great variation is found in actual measurements for any given type of garment as one passes from one manufacturer's goods to another's. Despite the laudible efforts of certain manufacturers and trade associations, it is doubtful if standard sizes will ever be uniformly adopted until the government assumes this responsibility. Meanwhile, merchandising problems presented by unstandardized sizes continue to confront the various agencies concerned with men's apparel and several efforts at solution have been made. To these we will now give our attention.

Size Standardization—Lack of size standards imposes many hardships. It is responsible for one of the most difficult forms of competition to meet—namely, that of the unscrupulous manufacturer who competes on a price basis by turning out skimp-cut garments. These garments present the same exterior as full cut garments and their defects can be detected only by actual measurement or "try on." In these circumstances both the retailer and the consumer suffer great difficulties. Much more time is required to find a proper fit than would be the case if sizes were standardized. Neither consumer nor salesperson can be certain that the size marked is going to fit, even if that size as designated on the garment represents what has been satisfactorily worn before. The most universal cause of merchandise returns by customers at retail is "wrong size" and cancellations by customers at wholesale are often dictated by the same cause.

Other hardships imposed are the increased alteration expense, a greater number of markdowns, heavier adjustment expense, and loss of that very important goodwill of customer.

Individual manufacturers have taken steps to remedy this situation and cooperative merchandising activity has extended in several instances to the development of size standards. In

no case, however, has there been any complete, or even general, acceptance of the standards set up

Methods of Securing Standard Sizes in the Men's Apparel Industry—The methods recommended, by which to secure a system of standard sizes, are ⁷ (1) by action of trade associations, (2) through a central bureau or organization supported by all the apparel trade associations, (3) by government designation, and (4) by international agreement. Thus far, activities have centered around the efforts of related trade associations and the government.

Practically nothing has been accomplished through international agreement. Yet the importance of a steadily growing foreign trade points to the need for such action. As it is today, English manufacturers of apparel find that Canada demands American sizes, Australia desires somewhat larger actual measurements for the same sizes, and the continental countries require a still different system of sizing.

The Efforts of Trade Associations With Government Cooperation—A most creditable step has been taken by the Associated Knit Underwear Manufacturers of America. This work was done with the cooperation of the Federal Bureau of Standards under which the research work was carried on. As a first step, a study of the size situation in the knit underwear field was made, from which the necessary information was secured upon which to establish the size standards. The finds of the study were submitted by the Bureau of Standards to the association for final review and adoption. The method used in this study was to compile and tabulate all of the measurements used by the various manufacturers who were members of the association. From the information so collected, averages were calculated for each size. From these averages, practical standard measurements were set up for each size and type, including a certain percentage of tolerance of

⁷ Paul H. Nystrom, *Economics of Fashion* pp. 471-474

variation so as to entitle a manufacturer's garment to come within the designation of a certain size

Non-members of the association are entitled to use the standard size label for garments made according to the measurements laid down in this study. A system of license and inspection maintains the standard. Violations of the license or attempts to use label without license are to be prosecuted.

The National Association of Hosiery and Underwear Manufacturers are engaged in a similar project. It is the purpose of their study, (1) to establish a method for measuring the length of hosiery, and (2) to formulate proposed standard lengths of men's, women's, and children's hosiery for the consideration of the manufacturers.

Samples of hosiery were submitted by 30 manufacturers. In these samples, measurements for a given size varied from one to three inches. Imagine the customer discomfort arising from an improper foot length!

Activities of Other Trade Groups—The International Association of Garment Manufacturers has named a committee to compile a set of minimum standard measurements for sheep-lined, leather, and other heavy garments. It is the plan to submit these measurements to the U. S. Department of Commerce. After this approval has been secured, manufacturers using the standards thus set up will be permitted to tag or stamp their product accordingly.

The U. S. Bureau of Standards, in further cooperation with trade bodies, has under way plans for standardizing sizes in boys' blouses, button-on waists, shirts, junior shirts, and pajamas. In every instance, the plan involves the determination of standards based upon a study of measurements. Manufacturers accepting these standards are to be permitted to use a label or tag which identifies their product as one made according to standard specifications. Retail trade associations,

and notably, the National Association of Retail Clothiers and Furnishers, have also cooperated with the Bureau of Standards in this work of developing size standards

Size Simplification—Closely related to the development of standard sizes is the matter of size simplification. Thus far, this has been mostly the work of individual concerns which have endeavored to secure a reduction in the number of sizes. One concern has evolved a simplified system of sizing underwear for the benefit of the retail trade.^{*} This concern has taken nine of its former popular sizes and has so reconstructed them that they can be produced in six sizes. It is claimed that by this system these six sizes will cover all the wants of the popular sizes, eliminate unnecessary sizes and fit perfectly, as well.

In the discussion of standard sizes, body types, size distribution, and development of sizes, the question of alterations has always appeared. To the customer, it is a matter of proper fit, to the retailer, an expense, and to the manufacturer, a problem in producing sizes and types that will tend to reduce the amount of alteration.

Alterations

Causes of Alterations—There will, no doubt, always be some need for slight alterations, such as lengthening garments. In general, causes of alterations may be summarized as (1) retailer's buying of wrong types and wrong sizes of garments, (2) over-anxiety of salesman to make a sale regardless of fit of garment, (3) minor alterations due to variations in human proportion, and (4) lack of standard sizes. Alterations arising from these causes, perhaps, can never be entirely done away with. Their expense must therefore be reckoned with.

The Cost of Alterations—In men's apparel, the cost of the alterations has generally been considered a part of the retail

^{*} Cooper Underwear Company

selling cost, and the retail clothiers have always paid the alteration charges (or passed them on to the consumer¹). It is also to be remembered that many retail clothing stores had their beginning in a tailor shop where alterations were a part of the service rendered in the initial sale. Further, there has been more uniformity in standard sizes of men's ready-to-wear than in women's ready-to-wear, so that it has seemed reasonable that the retailer should assume the alteration charge. Once the practice of the retailer's paying the alteration charge became established, most retailers found it easier to allow for an alteration charge in estimating the selling price rather than to make an additional charge if alteration was necessary. Some effort has been directed to changing this practice but it has made little headway.

The retailer either maintains his own tailoring shop or confines his alterations to one particular shop. The plan adopted conditions the method of payment. If the shop is maintained by the retailer, a straight salary, piece rate, or combination salary and piece rate is used. For outside work, the piece or "job" rate prevails.

Expressed in terms of percentage of gross sales, the alteration charges vary from 2% to 3%, the average is around 2.6%. When the tailoring shop is a part of the retail establishment around 12% of the working force is accounted for in the tailoring shop. (See Appendix A Table 27.)

Lowering the Cost of Alterations—In order to lower the cost of alterations, we must discover how to avoid the causes of alterations. Our suggestions will be made in the order in which these causes were named a few paragraphs back.

(1) The most efficient way in which a retailer can lower alteration costs is by buying garments of the sizes and types adapted to the needs of his community. When manufacturers devote more careful thought to body types and special sizes, the retailer will find himself in a position to buy more closely

in line with the needs of his customers (2) To restrain his over anxious salesman, the retailer may adopt a policy of not allowing a sale to be made that involves any major alteration. The salesman is instructed to find a better model, while the customer is educated to the idea of buying a model adapted to his physical proportions (3) and (4) The further development of standard sizes will eliminate many useless alterations. In this development, manufacturer and retailer should cooperate.

So far, our discussion of size and fit has seemed to be mostly of a mathematical nature. These aspects of fashion have appeared as matters of arbitrary measurements, subject to the strict rule of arbitrary patterns and standards. But no aspects of fashion can be totally lacking in more subtle attributes. While size and fit of men's apparel, and their apparently inevitable companion, alterations, imply adaptation with reference to a customer's actual measurements, they include, as well, a more personal, even emotional, adaptation of apparel to wearer in respect to his age, his color, his complexion, and the use to which he plans to put the garment he is purchasing.

Adaptation to Wearer—In general, some differences in apparel correspond to differences in age, but these differences are not so definite nor so easily distinguished as they used to be. Older men in this era of youth for everybody are less conscious of the fact that old age is supposed to wear dark blue, dark gray, or black. Furthermore, the differences in models are not so marked in respect to ages.

But there is plenty of distinctive adaptability on the basis of use, and this is a twofold adaptability (1) to the wearer, and (2) to the utility. Today, we have clothing specially designed for sports, formal wear, informal wear, business, work, hot weather, winter, afternoon, town, and country wear. These various uses have had the effect of lending an appropriateness to male dress not previously existing in the United States, and this element of appropriateness has made itself felt

in the use of these types of apparel in respect to age as well as to the utility itself.

Of more subtle interest, perhaps, is the adaptation to wearer based on color or complexion. Offering a blond customer a garment suitable for a brunette is as likely to provoke dissatisfaction as to offer a garment improperly fitted. Several concerns are incorporating this form of adaptation in their advertising.⁹ Retailers are featuring it in their selling efforts. Figure 3, "Colors to Harmonize with the Complexion" indicates the possibilities of adapting clothing to the complexion of the customer. The prospects suggested by this idea of color and complexion adaptability are as alluring as they are promising. The future is sure to see finer color effects better suited to individual wearers, and to the requirements of individual tastes and personality. Applied to retail selling, the possibilities seem infinite. To mention just one. Here is an opportunity for the salesman to build up a complete ensemble based on complexion and personality of wearer.

With our eye thus hopefully turned to the future, it is well to be forewarned of lurking weakness. From the viewpoint of comfort, fit, and appropriateness, some advancement has been made in men's clothing since the times we glimpsed in our brief historical survey. But much remains to be done, particularly in the matter of the utility of men's apparel. A bit of critical scrutiny will not be amiss.

Criticism of Men's Apparel¹⁰—Men's wearing apparel is still uncomfortable and inconvenient. It weighs too much and is so constructed that it does not permit free passage of light and air. It offers no opportunity for skin respiration, easy evaporation of perspiration, and all the beneficial effects of light now considered essential to health and well being are shut off. The ordinary business coat is inconvenient for any kind of work. It is too tight for active physical labor and too short

⁹ Strong, Hewitt & Co., Inc.

¹⁰ Paul H. Nystrom *op cit* pp. 155-156

Colors to Harmonize with the Complexion					
FOR LIGHT HAired MEN			FOR DARK HAired MEN		
Suit	Hat	Furnishings	Suit	Hat	Furnishings
Light Blue	Light Gray	Burgundy Old Rose Mulberry Navy Blue	Tan	Light Tan	Bottle Green Henna Cocoa Turquoise Blue Terra Cotta
Light Gray	Light Gray	Mulberry Burgundy Black and White Bottle Green	Light Brown	Light Brown	Beige Henna Cinnamon Golden Brown Copper
Dark Blue	Medium Gray	Red Orange Silver Blue Turquoise Blue Jade Green Lavender Tan	Dark Brown	Brown	Burnt Orange Jade Green Old Gold Taupe Bottle Green Yellow Sand Tan
Dark Gray	Medium Gray	Jade Green Peacock Blue Powder Blue Lilac Robin's Egg Blue Black and White Champagne Pearl Gray	Dark Blue	Light Gray	Red Orange French Blue Turquoise Blue Jade Green Tan Lavender Silver Blue
Green	Green	Myrtle Green Bottle Green Old Gold Buff Van Dyke Brown Heather Green Champagne Olive Tan	Dark Gray	Medium Gray	Jade Green Powder Blue Peacock Blue Lilac Robin's Egg Blue Black and White Champagne Pearl Gray
FOR AUBURN HAired MEN			FOR GRAY HAired MEN		
Tan	Light Tan	Chocolate Bottle Green Apple Green Turquoise Blue Plum Cocoa Terra Cotta	Light Blue	Light Gray	Burgundy Old Rose Mulberry Navy Blue
Light Brown	Light Brown	Beige Cinnamon Burnt Orange Golden Brown Reseda Green Burnt Umber Copper	Light Gray	Light Gray	Mulberry Burgundy Bottle Green Black and White
Dark Brown	Brown	Burnt Orange Jade Green Old Gold Taupe Bottle Green Yellow Sand Tan	Dark Blue	Medium Gray	Red Tan Silver Blue Orange Lavender Jade Green Turquoise Blue
Dark Blue	Light Gray	Orange Lavender French Blue Turquoise Blue Jade Green Silver Blue Tan	Dark Gray	Medium Gray	Peacock Blue Jade Green Pearl Gray Lilac Robin's Egg Blue Black and White Champagne
Dark Gray	Medium Gray	Jade Green Powder Blue Peacock Blue Lilac Robin's Egg Blue Black and White Champagne Pearl Gray	Green	Green	Myrtle Green Heather Green Champagne Olive Tan Van Dyke Brown

Figure 3 Colors to Harmonize with the Complexion

(Reproduced by permission of *The National Retail Clothier* June 7 1928 p 73)

to give protection from the cold. Summer clothing is a rule, is altogether too warm and quite uncomfortable.

The construction of men's shirts and the use of ordinary types of collars make one despair. A tight collar over an uncomfortable shirt band tends to shut off circulation to and from the head. The constant tightness produces undue pressure on important nerves close to the surface in the throat and neck.

Men's clothing is made with too many pockets. Luckily, he does not use them all, for, if he did, the appearance of the garment would be utterly spoiled. The full dress coat is a grotesque article of clothing that serves no useful purpose. It merely conforms to custom. Men's trousers creased in front and back, may serve as traditional proof that their wearer is not obliged to do physical labor, requiring, for example, bending of the knees. But, judged apart from fashion and custom, creased trousers seem very mechanical and uncomfortable.

Men's hats are uncomfortable and almost always too tight. They are far too heavy for the needs of most wearers. Retailers have complained for some time that hat sales are retarded because of the weight of the hat.

In view of the above criticisms, manufacturers should provide clothing which, while providing the necessary warmth should, at the same time, be as light in weight as possible. Clothing should permit easy transmission of both light and air and should allow free movement of the body. Further, men's clothing should be so constructed as to avoid pressure or pull. It should be suitable for its purpose, durable, and reasonable in cost. In view of the functions of clothes, they should permit of easy and cheap cleaning.

For hot weather, it is suggested that men abandon all stiff collars, lay off their coats, and wear a combination shirt and trouser, loosely belted, of pongee silk of light weight and in colors. White, light-weight shoes might complete the attire. These suggestions may not solve the problem of dress in hot

weather but they are indicative of the trend of consumer attitude toward clothing

Summary—Size and fit have been potent factors in promoting improvements in men's apparel and will, no doubt, continue to be. But there is still a long way to go. Despite all the efforts that have been made, despite the fact that we are today a better fitted, better dressed people, the problems of producer and retailer are more complex than ever. Consumers are demanding greater comfort and utility and, at the same time, greater beauty, or at least attractiveness. Developments of the next few years will result in more useful and comfortable garments, and will witness the elimination of many of our appendages of dress. Let us hope that the hand and eye of the artist will be called into service, also.

PART II

RETAIL DISTRIBUTION

CHAPTER 5

RETAILING MEN'S APPAREL

The satisfaction of consumer demand requires the services of a merchandising organization. The broad function of merchandising is to link together the demands of consumers, on the one hand and, on the other, the productive facilities available for their satisfaction. To bring this about the merchandiser has developed various channels, or agencies, of distribution, each with its specific duty in the coordinated effort of the whole chain.

Consumer demand is complex, while each producer possesses only limited resources, and these of a special nature. Consequently, the closer the middleman is to the ultimate consumer, the more diverse stock he must carry, while the closer the middleman is to the manufacturer the more specialized and restricted in scope must be his stock. Our particular interest just now is this middleman—the retail distributor. The discussion will be under five heads: (1) the channels of distribution, (2) the merchandising functions, (3) the specific services of retailing, (4) the evolution of the retail clothing store, and (5) the various retail types engaged in the distribution of men's apparel.

Because of the interest centering in the chain store, Chapter 6 is devoted to an analysis of the position of the chain store in the retailing of men's apparel. The typical men's ready-to-wear store is by type a unit store. Therefore, many of the principles and policies developed throughout this entire study are especially applicable to the unit store. For this reason, discussion under the specific heading "Unit Store" is rather brief.

The Channels of Distribution—The men's wear trade roughly divides itself, with respect to channels of distribution into two divisions. Men's clothing and hats are in most cases, sold direct to the retailers, or through manufacturer-owned stores. Boys' clothing is also sold direct. On the other hand, a large list of items included in men's furnishings may be sold direct to retailer, or to the retailer via the wholesaler and jobber. The trend is rather definitely toward the more direct sale.

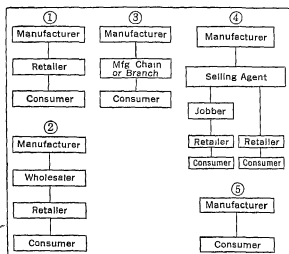


Figure 4 Channels of Distribution

The common channels of distribution for men's wear are (1) manufacturer to retailer to consumer, (2) manufacturer to wholesaler to retailer to consumer, (3) manufacturer to manufacturers' chain or branch store, to consumer, (4) manufacturer to selling agent, to jobber, to retailer, to consumer (in some cases from selling agent direct to retailer to consumer), (5) manufacturer to consumer. These trade channels are clearly illustrated in the accompanying chart.

From the viewpoint of merchandising, trade channels are a part of the manufacturing problem of manufacturers and

wholesalers, and receive then further discussion under that heading. Our immediate concern is the importance of the retailer, and the part that he plays in satisfying consumer demand. We, therefore, proceed to the second head given above, the merchandising functions.

The Functions of Merchandising¹—A function is a service, an act or an operation. A statement of merchandising functions calls attention to the fact that certain functions must be performed, that different middlemen may perform the same function and that a function may be performed once or many times in the merchandising process.

Students of merchandising are not in agreement as to what operations, acts, or services should be considered functions. However, most classifications of merchandising functions are fundamentally in agreement. In this study the following functions are given: preparation, movement, storage, financing, buying, selling, and administration.

Preparation is concerned with getting the product ready for the market. Standardization, dividing, rearrangement, picking, and packaging come under the caption of preparation. Styling may also be considered in aspect of preparation although from a technical viewpoint it is more accurately a production process.

Movement involves the necessary steps in getting the product from place to place, the physical movement of commodities from points of production to places of consumption. After movement, goods are often held to meet the demands of the market and hence the important function of storage.

Financing is a broad function and implies not only the extension of credit but also the assumption of risk. It is sometimes termed the ownership function, since it arises from the recognition of property rights.

The essential service of buying is to secure for the con-

¹ Report of Joint Commission of Agricultural Inquiry: Marketing and Distribution Part IV, p. 162.

sumer at a reasonable price the variety, quality, and quantity of commodities which he desires, and to have them ready for his use at the proper time and place. In merchandising, the term *buying* means buying for resale and not for speculation.

The purpose of selling is to find a market in which the seller's product can be sold at a profitable price. It is a highly active function embracing demand creation and manipulation, advice to buyer, determination of prices, and determination of terms of sales.

The merchandising mechanism is not automatic nor self-generating. It requires management and supervision. Administration must, therefore, be considered as a merchandising function. This is the directing and coordinating function and, as such, summarizes the services of market management.

These merchandising functions are performed, in some cases by the producer himself, but in most instances by middlemen, popularly termed wholesalers and retailers. However, the consumer comes into closest and most active contact with the retailer. It is, therefore, advisable to evaluate the services of retailing, to discuss the evolution of the retail clothing store, and then proceed to a discussion of the various retail types.

The Services of Retailing—The general functions of retailing are (1) to distribute for the manufacturer, and (2) to purchase for the community.² If the retailer serves merely as distributing agent for the manufacturer, his economic value to the community is lowered. As purchasing agent for his community, the retailer should be in a position to quote prices on such articles in his line as he does not regularly carry in stock. The retail clothier should be sufficiently acquainted with market resources to be able to satisfy the varied needs of his customers.

Specifically, retailers render three types of service.³

² Report of Joint Commission of Agricultural Inquiry, Marketing and Distribution Part IV, p. 168.

³ *Ibid.*

1 The fundamental service of retailing. This is the anticipation and satisfaction of consumer demand. The retailer must purchase in such quantity and variety as to permit consumer inspection and selection before purchasing. If he have a good knowledge of merchandise and of the sources from which it can be obtained, the retailer is in a position to contribute a good deal to the convenience and comfort of the community which he serves.

2 Services accommodating consumer. These services consist in granting credit, delivery of merchandise, and guaranty that the merchandise is of the quality, quantity, and value which the consumer believes he is purchasing.

3 Services resulting from competition. The services which result from competition tend to maintain a comparative level of selling price of similar articles and similar services in the various stores. In the competitive effort to attract customers, new services are created which must be adopted by the store manager, lest he suffer loss of patronage.

In definite relation to the major function of retailing, the retail clothier performs a distinct service in his capacity as stylist for the group or community to which he caters.

To perform these various services, several retail types have developed, all of which are important in the merchandising of men's wear. These retail types may be grouped according to the scale of operation: (1) small scale operators, including most unit stores, custom tailors, direct-to consumer salesmen, company stores, consumers' cooperative stores, and second-hand stores; (2) large-scale retailers, including the department store, the mail order house, and the chain store. This classification is not to be rigidly interpreted, as many unit stores have attained greater sales volume than some department stores.

The economic importance of these types will be best understood after a review of the evolution of the retail clothing store.

Evolution of the Retail Clothing Store⁴—The clothing store of today has evolved from a very humble origin, and within a relatively short time. The clothing shop of earlier years was located on a side street. Its poorly lighted windows contained an assortment of what would in these days, be termed junk. Placards, large enough to be seen across the street, announced the bargains to be had within. Just outside the door, garments swung in the wind or were hung on wooden dummies. In the doorway stood the proprietor in his shirt sleeves.

Often, too, there was a puller-in, a man stationed on the sidewalk, whose job it was to accost passers-by and urge them to inspect the wares inside.

The clothing was piled high on tables and insufficient light helped to obscure at least some of the defects of the poor merchandise. If a customer showed interest in some garment near the top, the salesman grabbed the coat by the collar, braced his foot against the others, and pulled. No wonder the garments were called "hand-me-downs."

Once in the store, the customer found it exceedingly difficult to get out without making a purchase of something. The salesman's dominating aim was to make a sale—not to serve the customer. The methods used in selling were in no way superior to the merchandise sold.

The one-price policy had not yet been inaugurated by Wanamaker. There was haggling at length over the price. It was not unusual to ask \$25 for the garment and then sell at half that amount. All wool and fast colors were claimed, but seldom delivered. The cloth was sometimes in loud checks and plaids, but usually in serges and beaver cloths in solid blues and blacks. Many stores had only six or eight patterns to show, and coat, vest, or trousers might be bought separately. Three-piece suits were sold for eight, ten, and twelve dollars.

Alterations were a very minor item of expense, for the

⁴Harvey F. Morris: *The Story of Men's Clothes* pp. 21-27.

public was by no means critical. As for trousers, the length was easily altered by suspender adjustment, and the waist measure didn't matter.

The merchant of those days bought clothing in much the same fashion as the grocer bought molasses. He purchased in large lots and quite regardless of sizes. How could he know what size the customer who might come into his store, would call for?

Garments kept in a store on hangers were a rare sight previous to 1905. In the following years the use of plate glass cases and dust proof hanger cabinets effected a revolution in the appearance of progressive clothing stores, and their stock-keeping methods.

But even this change has not been so revolutionary as the complete change in the storekeeper's attitude and policy with regard to the public. One after another came a succession of steps forward which we are apt to regard as commonplace, but which were very radical at the time they were taken—the fixed price in plain figures, the guarantee of complete satisfaction, the expert tailor to make alterations that formerly would have been considered entirely superfluous and, foremost of all, expert and conscientious service from the retail clothing salesman.

These radical changes in the storekeeper's policies were speedily followed by a complete change in the character of the stores themselves. They have moved from side street to Main Street and practically preempt the most desirable retail locations.

Store architecture, interior equipment, the comfort of the public, and such matters are considered so important that stores of the modern type offer much luxury as well as fulfilling a very necessary function. They could not have been developed had there not been back of them, in the last thirty years, and sustaining this development the advances in producing better grades of clothing that we have already noticed in Part I.

Types of Stores

Retail distribution has been classified with reference to scale of operation. Thus, we have unit stores, custom tailors, direct-to-consumer salesmen, company stores, consumers' co-operative stores, and second-hand stores on the one hand, and department stores, mail order houses, and chain stores on the other. These types are themselves subject to classification according to the desired market or level of demand which each seeks to develop.

A classification based on market appeal (level of demand) would fall into three distinct divisions: (1) low-priced stores, (2) medium-priced stores, and (3) exclusive stores. This division would follow, regardless of whether or not the store is a chain store, department store, mail order house, or any other of the above-mentioned retail types. It is estimated that the low-priced stores do about 25% of the men's wear business, the medium-priced stores about 73%, and the so-called exclusive stores about 2%.

Now, each of these three classes of retail establishments may be easily identified by its price policy. For example, the medium-priced stores sell at the general market price, the low-priced store makes a distinct price appeal and sells below the general market price, the exclusive store makes a class appeal and sells above the general market price. Credit extension is more often a policy of the medium and exclusive stores than it is of the lower priced stores. However, some notable exceptions have developed in the case of the credit chain store. Broad classification of the retail clothing stores in conformity to the different levels of the market, it is evident, has a sound basis.

Returning to the main classification—store types based on form of organization and scale of operation—the unit store is of first importance.

Unit Stores—In trade terminology, the unit store is sometimes referred to as the independent. More accurately, "a unit store is one which is owned and operated as an independent unit and which handles a limited line of merchandise."¹ At the present time, unit stores are the principal retail outlets for men's apparel, and as such involve considerable specialization of stocks. In the retailing of men's apparel, unit stores are in a sense specialty shops and as such are to be wholly differentiated from the unit stores which distribute convenience goods.

ADVANTAGES OF UNIT STORES In the retailing of men's wear, the unit store possesses certain advantages, although, it is well to note, they are relative. That is, the unit store in the urban center enjoys some advantages which are not realized by the unit store in the smaller trade area. Moreover, since the unit store in the small town is also classified as "independent," it therefore identifies with the future of the independent store its own peculiar problem of merchandising on a small scale at a profit. To come back, however, to the advantages of the unit store, these are best analyzed under the headings individuality and efficiency. By the term "efficiency" we mean superior store management resulting from the centralized control and personal supervision of the owner.

Individuality in the retailing of clothing and furnishings is a part of the competitive structure. Style distinction, personal contacts, and adaptation to the needs of the particular clientele are the essential elements. The unit store is a flexible institution and is well adapted to meet the needs of the community or clientele which it serves. Standardization in appearance and policy is a negative factor in the men's apparel trade, consequently the store personality and atmosphere created by the unit store are favorable factors. More than any other type of organization, the unit store expresses individuality, and patronage is frequently built around the personality of the owner.

¹ * Raymond Bealman and Wodder, *Principles of Marketing*, p. 77.

The advantage to be gained through efficiency is a product chiefly of the centralized control and personal supervision of the owner. Another contribution to its efficiency is to be found in the fact that complete stocks can be kept, because the unit store, from its very nature, concentrates on a single field or group of related fields of activity. These complete stocks are a convenience to the customer and the fact that they are concentrated in clothing and furnishings lessens the operating problem. Because of the small efficient organization, the expenses can be lowered and, in many instances, a greater stock turnover is possible.

LIMITATIONS Some of the various sources of unit store success frequently show up very decided limitations. Unit stores are apt to be poorly managed. Although this is not an inherent weakness, it is very common. The ease of going into business and the practice of a salesman's or clerk's purchasing a store have a tendency to lower the general efficiency of average unit store management. Perhaps the greatest limitation of the unit store is its unfavorable buying position. Many manufacturers give quantity discounts to mail order houses, chain stores, and department stores, which are considerably larger than the discount allowed to the unit store. Through their extensive buying organizations, these larger establishments are also better able to keep in close touch with the market and to utilize any advantages which superior market knowledge may yield. Men's apparel is in style goods and the advantage of going to the market headquarters and keeping in touch with changing conditions is essential to profitable retail operation. The unit store proprietor frequently cannot afford to go to market, nor is he in a position to purchase in such quantities as to secure the quantity discounts.

The unit store is not a great shopping institution and, with the individual desiring to concentrate on family purchasing, the unit store is at a decided disadvantage as compared with

the department store. Another disadvantage of the smaller business structure is its frequent inability to meet the shocks occasioned by the ups and downs in business, scientifically termed the business cycle. Further the fact that the unit store draws from a limited trade area, has caused it to suffer materially with the improvements in transportation. Conversely traffic congestion resulting from improved transportation may some day prove to be a factor that will reinvest the smaller unit store with its lost prestige. Finally it is argued that the

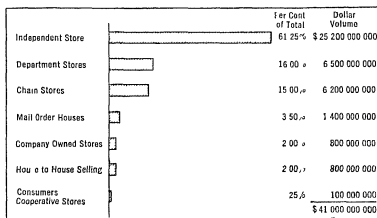


Figure 5 Estimated Volume of Retail Trade, 1928

an interesting chart showing the relation between independent stores and other retail organizations. It was prepared by the Domestic Distribution Department of the Chamber of Commerce of the United States. The figures were supplied by Prof. H. H. Nyström of Columbia University.

unit store cannot use newspaper advertising to the best advantage, for the cost of effective advertising is often far too great in relation to sales to warrant the expenditure. Similarly, the small unit store is unable to devote sufficient time and expense to the training of salespeople. Still other limitations lie in the inability to command the services of merchandising specialists, which are available to their larger competitors.

IMPORTANCE OF UNIT STORE IN RETAILING MEN'S WEAR

Before evaluating the competitive importance of the various

store types, it is necessary that we get some idea of the percentage of total retail trade that is handled by these various retail types. In the absence of a completed census of distribution, these percentages must be considered only as rough estimates.⁶

Retail Type	Per Cent of Total Trade
Department Store including General Stores	16
Chain Stores (2 or more stores)	15
Mail Order Houses	3½
Company Stores	2
House-to-House Selling	2
Consumers' Cooperatives	¼
Independent Stores (mostly unit stores)	61¼
	<hr/> 100

As is true, also, of the distribution of other commodities at retail, the unit store is still the dominating retail organization in the retailing of men's wear. Both as to number of stores and annual sales volume, the unit store dominates. There are probably about 40,000 unit clothing stores in the United States, and it is safe to assert that they do over 50% of the total retail business in men's apparel. This statement is supported by the figures thus far made available by the Census of Distribution. In this census a comparison was made of clothing and furnishings sales through independently owned stores and through chain stores. The conclusion was that 87.7% of the stores in the eleven cities sampled were independently owned and that these stores did 81% of the total retail business in men's clothing and furnishings. The chain store controlled 12.3% of the total number of stores in the eleven cities and did 19% of the total business. (See Appendix B, Table 28.)

In hats and caps, the Census of Distribution revealed that 48.3% of sales goes to the independent store and 51.7% to

⁶Paul H. Nystrom, Bulletin of Bureau of Research and Education International Advertising Association March 1929, p. 2.

the chain store. The chain store has always been stronger in hats and caps than in clothing and furnishings.

Custom Tailors and Tailors to the Trade—Our second agent concerned with retail distribution is the custom tailor. Custom tailors represent both a method of production and a method of distribution. Historically, they are the oldest representatives of producers and distributors of men's clothing. The control of the custom tailor shop is generally centralized. The term "custom" refers, as a rule, to a made-to-measure or made-to-order garment, consequently the objective of the custom tailor is a class appeal that will attract customers from the higher income levels. The truth of this statement can be easily verified in any period of business depression, when many regular customers of custom tailors are forced through financial stringency to turn to ready-made clothing.

The number of tailors in the United States is given in Appendix B, Table 30. This table is somewhat misleading, for every valet, presser, and local cleaner calls himself a tailor, and the census can not accurately distinguish between them.

Another form of tailoring has developed which has played an intermittently important part in the distribution of clothing—the "tailor to the trade" or "made-to-measure" business. Such concerns as Ed V. Price, and E. H. Yonkers, of Chicago, and Kahn's, of Indianapolis, are typical of these "tailors to the trade." In the beginning tailors to the trade made special sizes for dealers who could not secure these sizes from the regular manufacturer. Later, they enlarged their activities to take in the manufacture, for retail dealers, of all sizes of garments, through the use of style books and cloth sample swatches. Their merchandising plan is to place a sample tailoring book in a number of retail stores. Here the customer selects the fabric, the merchant takes the measure, and sends it in to the tailoring house where it is made up according to the specifications of the consumer. In the early stages of this

business, it was found that the orders tended to group themselves into fairly uniform divisions, consequently individual cutting was unnecessary. At the present time, however, the more reputable tailors to the trade follow exactly the measures taken by the retailer. From the retail clothiers' viewpoint, an unfortunate part of this development is found in the fact that these tailors to the trade place their sample books with all types of outlets—barber shops, drug stores, cleaning and pressing shops, etc.

It is difficult to judge the competitive strength of these types of tailoring organizations. It is estimated that, at the present time, probably less than 10% of all men's garments made in this country are produced by custom tailors. (See Appendix B, Table 29, for the importance of the custom tailor in the distribution of clothing and furnishings in eleven cities.)

House-to-House Selling—Although house-to-house selling is probably the oldest form of selling, it is only of intermittent importance. Based on a forty-year observation, the conclusion seems to be that house-to-house selling develops rapidly after each period of business depression. After such a period, demand apparently shifts to what seems to be a more economical form of distribution, although total sales to consumers vary but slightly. During the past forty years, there have been three periods of active house-to-house selling: 1894-1899, 1908-1912, and 1921-1925. House-to-house selling reached a high peak in 1925 and has been on a decline since that date.

Though utilized in practically every line of men's wear, house-to-house selling has been most widely used in the distribution of raincoats, hosiery, shirts, neckwear, and "made-to-measure" suits. Lines so marketed are of the "fixed" price variety and in many cases are sold as specialties. "Slickers," so popular in the student trade, were at first sold in this manner.

Approximately fifty organizations in this country are selling silk hosiery direct to the consumer. One concern is

said to market 1,800,000 pairs a year. The volume of such selling must necessarily detract from the business of retail stores. A large part of the house-to-house selling of hosiery is made to women but, judging from the comment of retail clothiers, a large number of men, also, purchase their hose in this fashion.

The Real Silk Hosiery Mills furnish an excellent example of house-to-house selling. Their agents are the exclusive outlet in a certain territory and extensive national and local advertising is carried on to acquaint the public with the firm and to convince people of the saving effected by buying direct from the factory representative. A direct price is quoted for four pairs, this being the minimum sale order. The salesmen are carefully trained and instructed as to how to approach the different types of prospects who may come to the door. The guaranty of silk hosiery has been found to be an excellent selling point because of the fact that many retail stores do not guarantee silk hosiery.

Made-to-measure clothes have a surprisingly wide market in the field of house-to-house selling. Many tailoring concerns and clothing manufacturers sell in this manner. Frequently the idea is to introduce the line and then open up a resident dealer's branch. The Royal Tailors have recently undertaken such a program with the idea of later establishing a regular dealer in a certain vicinity. Richman Clothes are sold direct to consumer through traveling representatives.

It is difficult to estimate just how much clothing is distributed in this fashion, but without doubt these concerns are a genuine source of competitive irritation. This statement receives support from the plan of Joseph and Feiss makers of "Clothcraft Clothes" in their attempt to meet the competition of concerns selling direct from factory to consumer.⁷ In brief, their plan utilizes the same methods as those used by

⁷The Dartnell Corporation. "Plans for Selling Direct to Consumer." Special Report No. 218.

the house-to-house salesmen. Then staff of house-to-house salesmen was recruited from retailers and retail salespeople who were distributing Joseph and Feiss clothing through the regular retail store. Suggestions were given for proper ways to open interviews, where to make calls, and how to make contacts. In other words, these men were given the same type of training as other house-to-house salesmen.

In the men's apparel trade, there is another form of direct-to-consumer selling, although not of the house-to-house type. This type of selling attempts to reach two markets: (1) college students, and (2) business and professional men who desire the unusual in apparel. In the first case, the method is for retail organizations and high-grade tailors to send representatives to college towns, who solicit trade by calling at fraternity houses and clubs, or by opening up sales rooms in a local hotel. In the East, such concerns as Brooks Brothers, Finchley, Saks, Rosenburg, and others sell in this way. As to the second method, such organizations as Sulka and Budd employ high-grade representatives to call on trade in cities outside of New York. These men usually establish headquarters at an exclusive hotel and notify their customers in a dignified manner of their arrival. These forms of direct-to-consumer selling appeal to a market where quality or unusual style is the buying motive, and price is only a secondary consideration.

The success of direct-to-consumer selling generally rests upon superior merchandising policies in the form of well-trained salesmen, a satisfactory guaranty policy, and convenience to the consumer. In many instances, a price policy which seems to be more favorable than that of the local dealer is a factor. Then, in the case of those organizations appealing to a higher grade clientele, the consumer receives a service in the way of unusual style or superior quality not to be found in the local store. The "class price appeal" is in itself a factor making for the success of these concerns. People like to be

flattered, and the higher income levels appear to be susceptible to this form of selling.

Without doubt house-to-house selling will continue, as it is always an excellent method for introducing new lines and developing new uses for commodities. It may well be utilized as a part of the merchandising program that is to culminate later in the establishment of retail stores.

Company Stores—Company stores are relatively unimportant. The large industrials, formerly using company-owned stores to distribute merchandise, have found it more economical to let that part of the business go to a regular retail distributor. Where the company-owned store still survives, it is only in the distribution of work clothing and a few items of furnishings, that it has any importance in the merchandising of men's wear.

Consumers' Cooperative Stores—Consumers' cooperative stores are not, as yet, important in the United States, and, even in those sections where they have attained minor importance, their strength has been in distributing convenience goods rather than specialty and shopping goods. Consumers' cooperatives grow and thrive best where retail trade through other channels is conducted by unprogressive methods and in ways careless of consumers' interest. At present there is little logical reason for development of consumers' cooperatives in the United States. If, in the future, any single type of retail institution such as the chain store should gain a dominating position over all other types, and if this situation should come about through carelessness in service or in price setting, then maybe, the opportunity will have come for rapid development of consumers' cooperative stores.

Second-Hand Clothing Stores—A surprisingly large amount of clothing is distributed through the second-hand clothing stores. These stores are generally localized in the

low rent districts of urban shopping areas and their appeal is more to the foreign than to the native purchaser. They do not rely so much on organized advertising and selling effort as on attracting the passer-by with their low price appeal. A fairly good-looking suit hangs in the window or outside the store, very attractively priced. Once inside, the potential customer generally becomes a purchaser.

These second-hand stores are interesting because of their method of securing merchandise. They send representatives to men's clubs, fraternity houses, and other places where men congregate, and these representatives solicit for second-hand clothes. In addition to this, they buy from dealers who specialize in purchasing bankrupt stocks and "distress merchandise" ⁸

The bulk of the retail men's wear business at present is in the hands of the small-scale operator. But new and threatening competition is looming up on the horizon. The competition of the large-scale operator and the economic possibilities he embodies are a challenge to present-day merchandising. This epoch in merchandising will command our attention for the remainder of this chapter and throughout Chapter 6. First comes the department store.

Department Stores—Together with the chain store and the mail order house, the department store is an example of large-scale retailing, and many of the advantages accruing to the department store are a direct result of this scale of organization.

ADVANTAGES ⁹ The advantages of large-scale retailing may be summarized as follows: (1) specialization of men and departments, (2) economy in expenditure for highly skilled specialists, for overhead charges, and advertising, (3) rapid

⁸ Distress merchandise is a term used to characterize merchandise which is not selling. It often represents the accumulation of merchandise which remains after markdowns have been made.

⁹ Ired E. Clark: Principles of Marketing, p. 208.

stock-turns, (4) a stock consisting of a wide variety of timely merchandise, (5) special service to customers, (6) superior buying advantages and (7) the economies of integration.

The department store is the most typical shopping institution of all the various retail types. It makes a very definite appeal to women, the leading shoppers. "A department store is a retail institution organized on a departmental basis in which one of the major departments is dry goods"¹⁰ It is not an outgrowth of the old general store but more directly a product of our growing urban population. As such, it has been aided by the development of rapid transit and the extensive use of newspaper advertising while more recently highway construction and the use of motor cars have expanded its trade area.

In addition to the advantages of large-scale retailing, a department store has certain other distinctive advantages. The necessary accounting and control systems necessitated by the elaborate departmental organization, facilitates the discovery of profitable and unprofitable lines of merchandise. Although unit stores maintain some sort of record and control system, their systems are usually inadequate. There is even some question as to the advisability of the smaller stores operating a control system. But the department stores unquestionably derive profit from an effective control of purchases, inventories, expenses, and sales operations.

The department store can use larger advertising space than smaller organizations and secure the attention-getting power and prestige that results from extensive advertising.

As a shopping institution, the department store presents a cumulative advantage, in that one line of merchandise may effectively promote the sale of other lines. To be able, under one roof, to sell clothing for the entire family is a decided advantage. Moreover, the fact that so many lines are carried distributes the risks in a manner that promotes financial secu-

¹⁰ M. I. Copeland *Marketing Problems* p. 88

ity. A loss in the men's clothing department may be offset by a gain in women's ready-to-wear. Again, as a shopping institution the department store appeals to a wider range of customers, and, by proper store division, can attract those seeking lower priced merchandise as well as those who are looking for something better. And again, because of the nature of its organization, the department store has a definite drawing power. Its size, prestige, and shopping opportunities can not be matched by the small unit stores.

The department store is strong on service features. Credit, delivery, household budget plans, and return and exchange privileges are an attractive part of its scheme of operation. In addition to these features, the department store offers unique services in the way of rest rooms, children's play rooms, barber shops, restaurants, telephones, and libraries. More recently, parking space has been added to the list of service features as vehicular congestion is a factor retarding the growth of department stores. In the larger centers, the department stores are patrons of art, frequently maintaining rooms for musical events and art exhibitions.

Aside from the buying advantage due to its large size, the department store is better able to enjoy the advantages of cooperative buying, foreign buying, resident buying, it is better able, too, to engage in research activities. The R. H. Macy Company, of New York, has made considerable progress in the development of research. At this store, statistics are available for any executive requesting them, concerning all sales and price records. Special surveys will also be made for any department desiring to learn something of public sentiment concerning its goods or its method of merchandising. The R. H. Macy Company also employs an economist, who lectures to department heads at stated intervals.

LIMITATIONS An important limitation of the department store is the exacting divisional idea inherent in the well-defined

departmental organization. This has a negative effect upon both the consumer and the salesperson. The customer deals with a salesperson restricted to a certain line. This salesperson is not permitted to engage in creative selling to the extent of selling a customer articles throughout the store. As a result, there is a store and detail consciousness rather than a store and selling consciousness. Many customers resent the contrast between a good salesperson in one department and an unbecomable one in another. This well defined divisional organization frequently occasions confusion. In calling for minor articles associated with a central purchase the customer may find it necessary to move to another floor or to some remote section of the floor she is on.

These points also suggest personnel limitations. Department store salespeople in many cases do not possess capacity for their jobs. As one critic states "The department store is safe for stupidity."²¹ To overcome this difficulty skilled personnel directors are employed to select, train and stimulate the workers. Records of individual performance are maintained and systems of pay, designed to stimulate employees to more effective effort are being developed.

The impersonal relations of the customer and the store are a defect. In the smaller organization, the proprietor is the agency of personal contact between the store and the public. In the department store, this function is performed by floor-walkers or divisional superintendents. The establishment of a public relations department is being seriously considered as a means of lessening the undesirable effects of impersonal relationship between the department store and its customers.

Another disadvantage of the department store is the high operating expense. These expenses are due in part to the service features and to the costliness of delivery and sale over a wide territory. Cooperative delivery systems and the setting

²¹ Herbert W. Hess *The Bulletin* National Retail Dry Goods Association Vol. X, March 1928 p. 100.

up of "remote" or branch stations are measures designed to lower delivery expense. The cost of operation of department stores has been estimated to be from 25% to 30% of total sales.

Department stores, more than other types of retail institutions, suffer from abuse of services and privileges. Merchandise returns, for instance, are an important item in the department store's routine. They are in part a reflection of the impersonal relationships and the incompetence of the sales force. While a satisfactory adjustment policy is a selling advantage, yet when this policy is partly the result of an inefficient sales force, the selling advantage is obviously minimized.

Department Store Developments—Looking backward, department store volume increased from 1914 to 1927. The largest part of this gain took place from 1914 to 1921. Some of the strongest department stores have shown a tremendous gain, although since 1923 this has not been the general fact. As a retail institution, department stores have probably reached their summit. Very few new department stores are being established and these are mainly in new towns or in suburban areas. The growth of cities and increasing traffic difficulties have contributed to the development of suburban department stores and department stores away from the central shopping areas.

There is some tendency toward department store consolidation and the formation of chain department stores. Another trend is found in the cooperative activity of non-competitive department stores: cooperation for buying, for research, and for the solution of merchandising problems. The opportunities for cooperative or associated merchandising activities offer considerable promise for future expansion. The processes of change are going on continually *within* the department stores, but, although changes in control may be effected, improvement in methods and policies consummated, it is unlikely that many new department stores will be opened.

Merchandising Men's Clothing and Furnishings in Department Stores—The great bulk of men's apparel, as has been stated, is distributed through unit stores, although in recent years department stores have been stressing their men's departments. Men's furnishings figure more prominently than men's clothing in the sales of department stores. Some indication of this fact is found in the Census of Distribution for the city of Chicago. There it was found that men's ready-to-wear (unit stores) secured 46.16% of the total clothing sales, and department stores, only 17.48%. In furnishings, men's ready-to-wear (unit stores) secured 55.98% of the total sales, and department stores, 31.83%. (See Appendix B, Table 31.) The strength of the department store in the sale of men's furnishings is no doubt due to the fact that women either purchase these items, or assist in their purchase, more than is the case with men's clothing.

Methods of merchandising men's apparel in department stores afford a good illustration of the distinction between shopping goods and specialty goods. Many department stores have their men's department adjoin shopping departments. The same merchandising methods are applied to the men's departments as are used in departments catering to women, again recognizing the importance of women in the purchase of men's apparel.

Characteristically, men do not like to trade in department stores. Recognizing this fact, a few department stores have established specialty departments for men's clothing which have practically the same appeal as a specialty shop for men. In advertising its men's wear, Marshall Field & Company, for example, features the phrase, "A separate store in a separate building." Other department stores follow a similar plan. The object of such departments is to compete successfully with the higher grade unit specialty shops. These men's wear departments of the type just described operate more like unit

specialty stores than department stores. For example, the tone of the advertising is distinctly differentiated from the "newsy" copy that is used for shopping goods. The department store as a retail institution has thus shown itself to be well adapted to the distribution of men's *furnishings*, but in the sale of men's clothing it has been forced to operate much like a unit specialty shop.

In boys' wear, the department store is more successful. It seems to be well adapted to the sale of boys' wear and obviously enjoys a larger turnover in this department than do unit stores. For most unit clothing stores, the successful maintenance of a boys' department has been a difficult problem and many of them have abandoned the effort. Women evidently prefer to purchase boys' clothing from a shopping institution.

Stock turnover figures for department stores are obtained from Federal Reserve Bank statistics. These figures may be misleading, as the less successful stores may not report their turnover. Based on a four year estimate, the turnover for boys' wear was 4.5%, for men's furnishings, 3.8%, for men's clothing, 3.05%.

The department store as a retail type utilizes numerous merchandising methods characteristic of a large-scale retail institution that makes appeal to the shopping trade. Specifically, the department store principle can not be profitably applied to men's clothing, and department stores successfully distributing men's clothing are utilizing specialty store methods of merchandising. In the sale of furnishings and boys' wear, the department store is a strong retail type and more naturally adapted to the sale of boys' wear. It is in these lines of men's and boys' apparel that the department store offers greatest room for development. The idea of departmentalizing is, of course, successfully applied to large retail institutions specializing in men's clothing and furnishings. The Maurice L. Rothschild store of Chicago is a typical example.

In further generalization, it may be stated that the department store makes a wide use of advertising, enjoys a rapid turnover, and has a high operating expense.

Mail Order House—The term "mail order house" refers to retail institutions which secure their orders by mail instead of through personal contact with purchasers. The concerns selling by mail may be classified as (1) general mail order houses such as Sears Roebuck, (2) specialty mail order houses dealing in men's and women's apparel, (3) manufacturers who sell direct to the consumer by mail, and (4) large department stores which accept some orders by mail. It is the general mail order house and the specialty mail order house that arouse the most interest.

Perhaps the earliest beginning of the mail order house was in 1869 when a traveling salesman out of St. Louis impressed with the poor merchandising methods of the average retailer started buying in large amounts and selling direct. Other organized beginnings were noted in the seventies. The fact that for a long time the mail order house was the official retail store for the National Grange contributed in a large measure to its early success.

ADVANTAGES The mail order house possesses two outstanding advantages: (1) the great variety of goods carried, and (2) superior buying. The wide variety of goods was an important advantage in the days when the mail order house was competing with the small town store. It is impossible for most stores to carry the different kinds of goods or varieties of styles and sizes which consumers demand. The mail order house not only carries such goods but through its advertising, creates a demand for other merchandise.

Superior buying makes possible a wide stock and lower prices. Mail order houses run very desirable accounts in the eyes of the manufacturer not only because they are large buyers, but also because, through their *advance* buying, they aid

the manufacturer in reducing losses due to seasonal production and economic variations. Further, the buyer for the mail order house is a specialist. He must know raw materials, manufacturing processes and costs before he is allowed to buy, and then he buys only one thing.

LIMITATIONS A decided limitation of the activities of the mail order house is the high cost of creating demand. It has been estimated that the mail order house spends 7.21% of sales in getting trade, whereas the department store spends but 4.01% of sales in securing trade.¹² The expenses of doing business in mail order houses are also great and there is little to indicate that they enjoy any lower operating expenses than do competing concerns. The average cost of doing business ranges from 18% to 26%. The mail order house has a heavy printing expense and must continually advertise.

Farmers have been the largest customers of mail order houses. When they are unable to buy, the mail order business suffers a decline. It is, thus, a serious disadvantage to rely so closely on one economic class for trade.

Price changes also reflect a possible disadvantage to the mail order house. Catalogs are got out in advance of purchases, and unless the goods are purchased at a low enough figure the mail order house will lose. Falling prices are also unfavorable because then mail order prices appear higher than the general run of prices.

Transportation costs are a disadvantage. Even if they are not borne by the house, they add to the customers' cost and lessen the appeal of trading with the mail order house. Deliveries are slow and often delayed.

The fact that goods are not seen by the customers suggest a problem with respect to personal relations which may injure the goodwill of the firm. No matter what kind of a return policy the company has, many customers do not like the idea

¹² Fred E. Clark *op cit* p. 217 (quotation from *System Magazine* Vol. XXV 1914 p. 585)

of returning goods nor of waiting several days for them, only to find they are not what was wanted.

Rural isolation, inaccessible retail outlets and high prices, poor roads, and other things that formerly made for the growth of the mail order house have disappeared. In consequence, interest in the mail order house centers chiefly around its ability to meet a changing competitive situation.

Local merchants, by appealing to community pride and "trade at home" spirit, plus the inroads of the chain store, have so reduced the selling opportunities by mail, that, in order to meet this new competition, the mail order house has been forced to go into the chain store business. Contributory factors, of course, are the automobile, improvement of roads, and better merchandising methods on the part of local merchants. But the biggest reason why the mail order house has come to figure in the scheme of retail distribution is not because of the selling by mail feature but because the larger mail order houses have gone into the chain store business. Increased sales by mail order houses are purely a reflection of their chain development.

The mail order house in its operation is a chain store utilizes the same methods and policies as do other chain systems. When confined to mail order business alone, the mail order house depends on advertising to draw its trade and makes use of such mediums as the newspaper, catalog, circular, magazine, and direct-by-mail advertising. Despite the impersonal side of it, catalog selling has some advantages. Few people have the time or opportunity to go over the entire stock of the retailer, but the goods of the mail order house are always at hand through the leisurely perusal of the catalog.

Cash sales still predominate in the mail order business, whether through the sales by-mail, or through the chain stores operated by mail order houses. When a cash policy is not followed, some form of the budget plan is utilized.

Other mail order policies that appeal to the customer are the satisfaction guaranty policy, the return privilege, and willingness to refund purchase price. Not that other types of retail distributors do not have these policies, but the mail order houses have been willing to go a considerable distance in seeing that they were carried out.

The mail order departments of department stores have been of doubtful value. Such a department has required a separate organization with separate merchandising plans and separate stocks. Customers expect to purchase articles listed in the catalog and it has, therefore, been necessary to maintain, as separate stocks, a supply of such articles.

Developments in Mail Order Houses—The mail order business enjoyed an upward trend until the World War and again, after the war, until 1920. In 1920, some of the 1,200 mail order houses either passed out of business or modified their practices. Those that continued are to be reckoned with in the future as chain stores, not as mail order houses. In work clothing, lower priced suits, and overcoats and furnishings, the mail order chain is in a position to offer considerable competition to other chain systems and to the independent stores. Thus far their policy has been to go into central trading cities of over 50,000 population. As trading areas widen, the mail order house chain will offer an increasing competition with the independent store and other retail types in the smaller communities.

In conclusion, it may be said that the mail order house is no longer an important institution when confined to selling by mail. Its entrance into the chain store field is now its outstanding feature. Whether or not it can successfully compete with other chains is a question of the future.

Summary—Of the retail channels of distribution, the consumer comes into most active contact with the retailer who renders certain services, in the way of keeping in stock com-

modities in the quantity, quality, size and price, which the customer desires, and in granting credit and other accommodations. The customer has not always been the beneficiary of these services. The present-day clothing store has evolved from a sort of junk shop to a high-grade retail institution. In this evolution, the retailing of men's apparel has not been confined to the typical clothing store. Men's wear is distributed by such diverse agencies as custom tailors, direct-to-consumer salesmen, company stores, consumers' cooperative stores, second-hand stores, and large-scale organizations like the department store, the mail order house and the chain store.

With the advent of each new agency—the department store and the mail order house, the increased sales of the house-to-house canvasser, and today the rapid growth of the chain store—the independently owned retail store has experienced several periods of fright. The first three have been discussed in the present chapter. The extent of the chain store competition and its possible development in the men's apparel trade will contribute to the subject matter of the following chapter.

CHAPTER 6

MEN'S APPAREL CHAIN STORES

Consumers, retailers, manufacturers, and wholesale distributors are all interested in the development of the chain store. The consumer is naturally interested in securing more economical places to trade. The independent retailer fears the competition of a new retail type. The manufacturer is constantly worried about his market, and the wholesale distributor must either distribute most of his product to large-scale retailers or assist the independent in meeting chain store competition. The distribution tendency is toward more direct distribution from producer to consumer. It is to the advantage of the chain that it works with and not against this tendency. Viewed in this respect, the chain store movement is but another aspect of large-scale retailing and has many characteristics in common with the department store and mail order house. Because of the keen competitive interest displayed in the chain store, this chapter is devoted to (1) a general analysis of the chain store, (2) the development of men's wear chains, (3) the operating policies of men's wear chains, (4) meeting chain store competition, and (5) the future of the chain store in the men's apparel trade.

A General Analysis of the Chain Store

What Is a Chain Store?—A chain store comprises one of the units of a given chain store system. A chain store system may be defined as a group of stores handling similar lines of merchandise under a single ownership and centralized management, with similarity of merchandising policies, but a decen-

tralized location. In general, a chain system exists whenever two or more stores operate under a common ownership and management and have a like merchandising program. This does not mean that one man owning three clothing stores constitutes a chain system; the stores must have certain features of a uniform merchandising system. Typical chains are characterized by the operation of a considerable number of stores and are dominated by common policies and practices.

Control and Ownership of Chain Store Systems—There are several means of control and ownership of chain store systems: (1) control by firms formed for the express purpose of carrying on a chain of stores (with the assistance of investment bankers, many chain systems are developed in this manner), (2) chains controlled by retailers themselves—that is, by groups of retailers who form a chain as a means of obtaining economies in buying, (3) wholesalers and jobbers sometimes own chains—such is the case with Butler Brothers, Marshall Field, Wilson Brothers, and others (the competition of other chain systems with wholesalers' and jobbers' retail outlets is in part responsible for this development), (4) manufacturers' chains (usually formed because of the inability of the producer to find satisfactory means of marketing through ordinary retail channels or because it is anticipated that larger profits will accrue). These are the principal types of ownership and control found in the men's apparel trade, although other forms of chain store ownership and control exist.

ADVANTAGES As a retail type, the chain store combines to a large degree the advantages of large- and small-scale retailing. That is, the chain realizes the economies of departmentalization, large purchases, standardization of method, and the services of skilled executives, with the selling advantages resulting from the accessibility of its retail units. Inherent in this form of organization is a tremendous buying advantage. Buying in large quantities makes the chain store an attractive

customer to any wholesale distributor. For example one large chain system purchases annually 100,000 boys' suits, 2,500,000 men's and boys' overalls and 4,500,000 men's and boys' shirts.¹ Orders of this type appeal to manufacturers and groups of manufacturers. But it is not merely *quantity* buying. The chain stores employ better buyers. It is their knowledge of resources, merchandise, and manufacturers' costs which frequently constitutes as great an advantage as the mere fact of quantity buying.

Other advantages become manifest because the chain store is in a position to give more attention to the improvement of retail methods. For years it was believed that the secret of chain store success was to be found in the application of certain principles and practices beyond the reach of the ordinary retailer. It is now recognized that the success of the chain store is founded on the observation of certain rules of procedure which embody none other than the sound principles of retailing.

For example, the chain store has made a science of location. Stores are located only after careful analysis of the product, the locality, actual traffic, and potential sales. Before deciding on a location, complete information is secured regarding the site, the number of people passing at different hours of the day, and different days of the week, their sex, the type of traffic, and every other fact pertinent to the situation. As a result, chain stores secure choice locations.

Another advantage of the chain store has been the element of reduced service. Charge accounts, deliveries, and other service items are dismissed as unnecessary elements. Only the closest selling prices are featured and overhead is reduced by confining the business of these prices. In other words, the program of stock simplification is carried out to the last detail. It is for this reason that the chain store is so successful in the distribution of fixed price clothing.

¹ J. C. Penney Company

The chain store offers a marked advantage in the planning of its interior—the arrangement of fixtures and stocks, etc. There is thus secured a distinct selling appeal in contrast to the unattractive, haphazard interiors of many unit stores.

The chain store is in a better position to train its help and by paying better salaries it secures a higher type of executive. Unlike the independent men's wear store the chains have been forced to give attention to accounting and control methods. As a result, certain expenses have been reduced, non-selling prices and styles are eliminated, and stock turnover is increased.

LIMITATIONS In the distribution of men's apparel, the chain store has decided limitations. It is admitted by chain store executives that perhaps the chief limitation hinges around the personnel problem. In fact chain store progress has been forced to wait upon the development of a suitable personnel. A store manager in specialty lines must possess considerable ability, as it is impossible to standardize merchandising practice in this field to any marked degree.

The chain store does not possess sufficient individuality for the distribution of style goods. To overcome this buyers at the central offices may contact for considerable ranges of merchandise patterns and styles from which local store managers are permitted to make selections.

Additional difficulties are found in the problems of price reduction. Style obsolescence and local competitive conditions sometimes make it necessary to reduce prices very promptly. Chains, with their concentration of authority, have much less flexibility than competing institutions and may suffer accordingly. Delay is almost inevitable before local price reductions can be authorized, or the action of headquarters may have to be taken on an imperfect knowledge of local conditions. Moreover, central office actions must often be based on the advice of local managers whose interests and capacities may be inferior to that of proprietors of competing local institutions.

Although it is frequently alleged that chain stores operate under lower expenses, it has not yet been proved that they can operate on a lower basis than successful unit stores.

The lack of service limits the usefulness of the chain store. The elimination of such services as credit and delivery, and the limitation of stocks to articles in large demand, while reducing expenses of operation and increasing the effectiveness of the price appeal, limits the scope of chain operations to those consumers who are willing to dispense with these facilities.

Chain stores sometimes encounter difficulties with their merchandise resources. The playing of one manufacturer against the other for the purpose of securing a better price has the effect of cutting off an even flow of merchandise. Likewise, independent retailers tend to discriminate against manufacturers and wholesale distributors who sell to chains. This also has the effect of retarding the flow of merchandise.

Aside from the limitations inherent in chain store organization, there are other disadvantages connected with chain store development. In the first place, the bargaining advantage which enables the chain stores to buy at lower prices may be offset by the increased administrative expense. Secondly, chain store development in the form of vertical integration (that is, production and distribution under a single organization) is still in an experimental state. Already, numerous problems of serious difficulty are arising. Third, the financing of chain store operation by investment bankers may lead to an over-investment in chain stores with the resulting over-extension and decline of profit. Finally, the chain store, due to its size and growth, tends to become an object of social control, already investigations have been authorized by the Federal Trade Commission.

The significance of these advantages and limitations will be further illustrated as we discuss the development of men's wear chains and the merchandising policies of these chains.

The Development of Men's Wear Chains

The chain store system of distribution is the normal development of modern retailing. Small chains, mostly local, have existed in the field of men's wear retailing since late in the last century, although Browning King Company was organized in 1822. This company virtually outfitted the California gold rush of '49 from its Chicago store. Department stores, mail order houses, and chain stores began to appear simultaneously during the seventies and the eighties. Department stores grew up naturally in large cities, along with rapid transit, extensive use of the telephone, and modern daily newspapers with large circulation. Newspaper advertising has helped to make the department store possible and the department stores have helped to make the modern newspaper possible. Mail order houses came into existence to supply the wants of people spread over great areas, which ordinary methods of distribution could not adequately reach. Chain systems have followed the tendency that has been dominant in nearly all lines during the last fifty years toward concentration and the consolidation of enterprise. The department store consolidates ownership and management of many lines of merchandise under one roof. The chain store consolidates the ownership and management of many units within the same lines of merchandise but with decentralized location.

As a retail institution, the chain store has met the demand of consumers who desire to save and has received impetus from those broad economic movements, marked by prosperity and depression. Invariably, economic depression causes many to turn to retail institutions where a lower price is the emphasized factor.

Chains are relatively more important in large cities than in smaller towns and have had a greater development in the northern states than in those south of the Mason and Dixon line. Cities ranging from 5,000 to 25,000 afford the greatest

field for the large chain of small stores, while cities from 50,000 to 200,000 should offer an especially attractive field to chain development in the men's clothing and furnishing trade.

Men's Wear Chains versus Other Chains—Until recent years, men's wear chains showed a wide departure from the practices and principles generally associated with the chain store idea. They dealt principally in "style" merchandise as opposed to convenience lines. Most of them permitted each unit to operate practically as an independent store, doing only the purchasing through a central agency. Their operating costs were not less, and were sometimes more than those of independent retailers, because they felt it necessary to offer the same services, chiefly delivery and credit.

These chains that make a style and quality appeal still are dominant factors in the trade but they have expanded much less rapidly than the manufacturers' chains or than those concentrating on fixed low-price lines. They continue to represent, however, an interesting growth of the chain idea in service institutions, and demonstrate that practically all fields of men's wear retailing are open to exploitation by chain organizations. Some of the chains handle nationally advertised lines. Others feature merchandise which carries only their own label.

The chain store system in convenience goods not infrequently operates several stores in each city, and large local chains have been built up. Because of the nature of trading areas for men's wear, not more than one store of the chain system is located in a city, unless the city is large. Specialty goods require more adaptation to community needs and must have a more flexible merchandising policy. For this reason the manager of a men's apparel chain store must have essentially the same capabilities as the proprietor of a unit clothing store.

While none of the men's wear chains are large, as compared with the leading chains in other fields, the largest are

the fixed low-price organizations such as Richman Brothers, S. Golde & Sons, Samuel Stores, Tivvers Clothes, etc. In this field, Richman Brothers are the undoubted leaders and represent a good example of the new trend toward low fixed price and high volume production made possible by extreme standardization.

The comparison of the general men's wear chains with chain stores distributing other apparel commodities and characterized by some distinctive policy, introduces us to new chain types in a wide men's wear field.

Types of Men's Wear Chains—There are approximately 302 chain store organizations in the men's apparel trade in the United States, operating 3,406 stores and doing an estimated annual business of \$386,676,000.³ These chains have assumed different forms or types based on control, type of commodity, market appeal, price appeal, and credit service. There are (1) the general men's wear chain type which may be a departmentalized chain store offering a variety of men's and boys' wear and clothing, or a chain of tailoring stores featuring three or more price intervals, (2) the manufacturer direct chain, a chain manufacturing some or all of its merchandise, (3) the \$22.50 or other fixed price chains including⁴ chains specializing in lines of one fixed price or lines offered with a choice between two fixed prices, (4) the college chain, so termed because its appeal is directed to the college trade, (5) credit clothing chains which offer men's apparel on the installment plan (in contrast to the customary chain store policy, these stores are organized around the plan of giving credit, a service that is not found in chains dealing in convenience goods), (6) furnishing goods chains, those chains specializing in the retail distribution of men's and boys' furnishings, and (7) the hat chain, selling primarily hats and caps, although at present many

³ *Summary of Men's Wear Chain Stores* (Daily News Record (supplement)) February 11, 1928.

⁴ *Ibid.*

of them are distributing haberdashery and sport wear. So far as unit hat stores are concerned, it is the chain system that has made possible this single-line development. According to one report, there never was a specialty hat store until chain hat stores came into existence—the line was not wide enough. It is apparent that such a classification of chain stores as the one just made must necessarily result in some overlapping. This table gives a number of stores for both 1927 and 1928, with estimates of expansion and sales.

The manufacturers' chains occupy a dominating position in the retailing of men's wear. For this reason, this type of chain will be given a more detailed treatment.

Manufacturers' Chains—Manufacturers' chains have developed along two closely related lines: (1) manufacturers who distribute their entire product through their own retail stores, (2) the practice of producers' securing a substantial financial interest in a number of retail outlets for the purpose of securing more adequate control of distribution and of minimizing some of the risks incident to the distribution of clothing. This major trend is generally referred to as a vertical integration, that is, production and distribution within a single organization. Indicative of the first type is Richman Brothers. This chain operates on a fixed price plan and distributes all of its product through its retail branches or personal representatives. An outstanding example of the second type is the Fashion Park Associates. Briefly, this is a plan whereby Fashion Park secures a control of a number of retail outlets sufficient to insure steady distribution. The specific inception of the Fashion Park Associates came as a result of a combination with what was already a powerful chain in the better class field. This type brings the chain store into a newer price field. The "low end" of the business is well taken care of by Richman Brothers and concerns of a similar type. The entire range, with emphasis on the moderate price interval, is well

illustrated by Hart Schaffner & Marx, who control many of their outlets

The advantages of the Fashion Park Associates plan are believed to be (1) reduction of overhead through regularized production made possible by maintained distribution, (2) avoidance of inequalities in distribution due to competitive factors, (3) maintenance of close contact with retail outlets, (4) individuality of associate stores preserved, (5) reductions in personnel and lessening of selling costs, and (6) gains from better coordination of production and distribution. This form of organization presupposes stores of the quality type, that maintain their individuality. This sets them off decidedly from the usual chain store type. After all the plan of the Fashion Park Associates is nothing more than formal recognition of a practice that has been current in the industry for some time. As such, then stores are perhaps on the margin of what is generally considered a chain store, and are best described as stores under the manufacturer's control. In related lines this control practice has been developed for the express purpose of meeting chain store competition.

The development of men's wear chains has led to the formation of certain operating policies differing in many respects from the retail policies of other store types and from the operating policies of other types of chain stores. We shall, therefore, discuss in some detail the operating policies of men's wear chains.

The Operating Policies of Men's Wear Chains

Men's wear chains, in respect to their operating policies, show two distinct trends of departure from other chains. On the one hand, this departure has proceeded to the point of permitting each unit to act practically as an independent, only the purchasing being done through a central agency. On the other hand, chains of the fixed price variety operate under the

uniformity of method characterizing the typical chain found in other fields. It is, therefore, difficult to organize operating policies of men's apparel chains with any rigidity, both trends must be accounted for.

The operation of a men's wear chain may be grouped under four headings: (1) physical aspects, (2) merchandising policies, (3) personnel problems, and (4) problems of control.¹

Physical Aspects—The physical aspects include problems of location and store arrangement. The men's wear chains, especially those of the fixed price variety, and furnishings goods chains, give particular attention to location, layout, and equipment. In these respects, a scientific method of locating is used and a standardized policy with reference to layout and equipment is followed. The store fronts possess an uniformity which identifies them in any city. The interior arrangement of fixtures and merchandise is likewise standardized. The spatial requirements of the store are carefully worked out, in order to minimize the rent factor.

Merchandising Policies—Under chain store merchandising policies are generally considered: (1) buying, (2) sales promotion, (3) price and turnover, (4) lines carried, (5) elimination of services, (6) central distribution, and (7) central supervision.

BUYING The matter of chain store buying is of considerable interest in the men's clothing and furnishing trade. The chain store places large orders and pays cash, thereby profiting by heavy trade discounts. Further, chain store buyers are specialists. They know merchandise resources and study carefully the costs of producing. In some instances, they have been known to dictate the price and then show the manufacturer how he could sufficiently cut his production costs to meet that price. Where the purchase of style goods is involved

¹ White and Hayward *Marketing Practice* p. 34.

group selection is resorted to and the style differences of the various communities considered. They attempt to buy those articles thus selected and to sell at the prices that are in greatest demand. The buying is controlled and, for the most part, executed through the central office. The practice of group selection minimizes the disadvantages of this plan. Frequently as in the case of hosiery, the chains have their stock made up by various manufacturers according to set specifications.

SALES PROMOTION Advertising and sales promotion may be localized with the store manager or centralized in the main office. At present, the latter method, or a compromise between these methods, seems best. Browning King formerly used the local advertising plan, but they now show a decided shift to the centralized plan. Richman Brothers advertise extensively especially when opening up a new store. Newspaper advertising is most widely used, the Golden Chain concentrating 90% of their advertising in the newspapers. Price advertising predominates among men's apparel chains, although institutional copy prevails in the higher grade clothing chains. Frequently, chain store advertising reflects a tie-up with nationally advertised brands, or with the development of private or controlled brands to national proportions.

Among hat chains, the heavy seasonal element directs considerable advertising toward the elimination of the depression periods. It is estimated that 30% of the total annual hat business is done in the months of May and June, another 30% in September and October and the remaining 40% spread over eight months. Increasing the number of hat styles, urging two straws for one and other plans have been utilized by the hat chains. Auxiliary lines that would be in demand when the main lines are lagging would help this situation. Some hat chains have tried this plan carrying such lines as gloves, ties, umbrellas, sport apparel, and even women's hats when the popularity of felt millinery made that line feasible.

It is estimated that about 3% of gross sales represents the advertising expenditure for clothing chains. Window trim figures for hat chains range from 12% to 15% of gross sales.⁶

PRICE AND TURNOVER Many of the outstanding clothing and furnishings chains operate on a price basis, although this is not always the case. For example, the Capper and Capper chain emphasizes a quality appeal. However, most chain store merchandising is on a price basis. The plan is to concentrate on the swiftest moving price lines. When one considers the fact that about 65% of the average family income is less than \$1,600, the merit of this policy is apparent. And, as suggested above, the typical chain store is a persistent price advertiser. By price concentration the chain usually gets a larger turnover, and correspondingly greater profits, even though the markup may be lower than that in other retail types. Operating on this price basis is one of the cumulative results of their buying strength.

LINES CARRIED Another merchandising problem centers around the commodities distributed in the men's wear chain. In considering probable chain store success, it is necessary to see to what extent the commodities are sold or are likely to be sold by other chains. In the men's wear field the chain systems show a tendency to take over new but related lines. Men's hat chains are adding topcoats, ties, shirts, gloves, garters, and women's hats. Men's clothing chains are adding women's sport wear and other items of women's apparel. Weber and Heilbroner, New York, now a member of Fashion Park Associates, is adding women's apparel. It is reasonable to assume that Fashion Park will expand its line of women's coats in view of this strong outlet.

Men's wear chains have no uniform policy as to the use of nationally advertised brands. Chains resulting from vertical

⁶ W. H. Baxter, *Chain Store Management*, pp. 62-63.

integration or other means of manufacturers' control promote their own national brands. Because of the inability to secure nationally branded merchandise on favorable terms, some chains have either manufactured their own product and placed their brand on it or have taken over the output of a manufacturer and put on it their own chain store brand. In the early years of development, the J. C. Penney Company relied entirely upon nationally advertised brands to obtain the goodwill of the public. After becoming established this company has switched its policy from the nationally advertised to private brands. The following list of trade-marked certificates on file, September, 1927, will show the extent to which the company has developed the policy of selling its own brands.

Big Mac—Cotton work shirts	Pix Day—Overalls and work clothes
Compass—Men's and boys' work shirts	Pix Check—Overall and work clothes
Gentry—Men's and boys' suits and overcoats	Pix Time—Overalls and work clothes
Kyber—Men's dress and negligee shirts	Solar Straws—Men's straws
Majestic—Garters	True Blue—Men's and boys' clothing
Marathon—Men's hats	Union Leader—Work clothing
Nation-wide—Men's and boys' clothing	Waverly—Men's and boys' caps

ELIMINATION OF SERVICES. A retail store, to run on a profitable basis, cannot give both price and service. The independent is more and more becoming a retailer who gives service. It is thus typical of most chains not to grant credit to customers. By operating on a cash basis, capital is kept liquid and overhead cut down. These are definite savings aside from those resulting from no credit risk.

Although the policy of not granting credit or offering delivery service is a typical chain store policy, yet we find some development of men's wear chains offering both credit and delivery service. Many of these credit clothing chains use

some form of the budget or ten-payment plan in preference to the typical charge account. It is safe to assert that the majority of men's wear chains do not grant credit.

CENTRAL DISTRIBUTION Chain store practice, in a sense combines jobbing and retailing. In the smaller items of men's apparel, the purchases of the more staple items made by the central office are stored in a central warehouse and issued on requisition of the store manager. This is particularly true of certain items of work clothing and other articles not strongly affected by style movements and seasonal demand.

CENTRAL SUPERVISION In men's apparel chains, the central supervision varies. A chain selling specialty goods requires a manager of a high type in contrast to the less skilled manager sufficient for the convenience chain. It is, therefore, unnecessary to maintain the detailed supervision frequently found in chain store practice. The store managers are given considerable latitude in the operation of their units. In many cases they are part owners.

Personnel Problems and Policies—The personnel problem of men's wear chains is admittedly a difficult one and a limiting factor of large-scale retailing. Elements of service, style advice, and knowledge of merchandise play such an important part in the retailing of men's clothing and furnishings that store managers of unusually high caliber are required. This problem is met in several ways by men's clothing and furnishings chains. One of the governing factors has been the method of development. A great many chains in this field represent mergers of existing unit stores where the original owner retains a proprietor's interest and acts as manager. On the other hand, some chains are the result of such a gradual expansion that managerial material is readily recruited from the existing staff. Careful selection and training governs the choice of new managers.

Methods of remuneration vary from straight salary to salary plus commission or bonus. Some successful chains permit managers to purchase an ownership interest thus enabling them to receive both dividends and salary. Granting the manager a part ownership has proved a successful step in eliminating some of the personnel difficulties. Chain store managers are expected to produce results, and in some cases are required to show a minimum quota of annual or daily sales.

Problems of Control—A factor which decidedly marks the policies of chain as against independent stores, is that of administration and control. Central control of many retail units requires a system of reports, daily, weekly, and monthly in order that the executives may know exactly the situation in each unit. To insure definite control in any of the retail functions are supervised from headquarters by a corps of specialists. Such activities as buying, advertising, display, training of salespeople, and accounting are directed from the central office.

Attention to accounting systems is an important element in the success of a men's wear chain system. Unit store operators have been lax in adopting adequate control methods while the chain has forged ahead in this respect. Stock and expense budgets are carefully worked out and by maintaining a statistical department sufficient records can be kept to form a consistent guide in the improvement of merchandising policies. Elimination of slow moving items and prices are thus determined as well as fundamental trends in consumer demand. Likewise, comparative data from various districts serve as a basis for determining standards of performance.

In general, then, the operation of men's wear chains includes all of the operating activities of the other store types but substitutes centralized control for individual control wherever possible. Aside from the bargaining advantage, the merchandising difference seems to be one of skill rather than anything inherent in the organization.

Meeting Chain Store Competition

Meeting chain store competition is in part a problem of the chain store versus the independently owned store, and in part a problem of the wholesale distributor, who must assist his retail customers in meeting chain store competition, or else open up his own retail outlets

The Chain Store and the Independent—There are several views on the competitive strength of the chain store over the independent. One view holds that, with the exception of buying advantage, the chain store has no inherent or exclusive advantage over the independent. In other words, chain store success is due to superior merchandising ability, and, if the independent retailer would become a better business man, he could equal the chain store's efficiency and in many cases outdistance it. The buying disadvantage, according to this authority, can be overcome by group buying.

There is, no doubt, considerable truth in this statement. Many independent stores have lower expenses and are more skilfully operated than is the case with the chain. But these independents are the exception. In the process of competitive selection, those commanding larger amounts of capital and a larger organization are in a position to purchase better ability than is evidenced in the typical independent store proprietor doing a business of around \$50,000 per year. Another view is that the division of labor in retailing creates a necessary place for both the chain and the independent. This division of labor is dictated by consumer buying habits, price appeals, the necessary limitations of large-scale retailing and other less important factors.

Efforts of Retailers to Meet Chain Store Competition —

The retailer may attempt to meet chain store competition by several methods, varying all the way from making price concessions to apparently ignoring the situation and operating on

a better class level. To cut prices very much is dangerous to the typical unit store, and it is doubtful if many stores of this type could endure much price cutting for the purpose of attracting the trade of other retail types. In between these extremes, the independent retailer may offer goods and services which his chain competitors do not, or he may attempt to secure the buying advantage by affiliating with a cooperative or group buying organization.

Some concerns meet competition by ignoring it and operating on a different level. Assuming a \$22.50 chain store is competitor, this would involve operating on a higher level of prices and in no way attempting to meet the situation on a price basis. Retailers who attempt to compete on a price basis by opening an economy department or bargain basement division have experienced difficulties. Frequently their store would lose its class appeal, in other instances the economy department would attract sales from the quality trade with the net effect of making it difficult to merchandise the better price ranges at a profit. Once having created a definite store atmosphere, it is unwise to alter it to the extent of cheapening the store. So the policy of indirectly meeting the situation by maintaining and promoting quality business has more in its favor than the policy of directly meeting the situation on a price basis. Further, the fixed price chains carry a wider stock than could possibly be carried at that price by the independent dealer.

The independent store is in a position to offer many services not offered by the chain store. In this respect, it can not only maintain sales, but build additional business. Retailing better clothes requires a service in its selling, service of this type is not a part of chain store organization. The independent clothier is in close touch with his customers and able to cater to their likes and dislikes. The personal service he renders is frequently more important than the form of retail organization he represents or the brand he carries. Likewise, the independent can offer lines not available in the chain. In fact, his

greatest problem is to study those lines and price ranges which he can sell to the greatest advantage.

A factor favoring the survival of the small, independent firm is found in that peculiarity of consumption which reflects itself in the merchandising policy of class appeal. In order to sell articles to higher income levels, it is normally necessary to keep them out of the hands of the lower income levels. Thus "good business" may lead a man to produce on a small scale and sell at a higher price to a small clientele, rather than to do business on a larger scale and depend upon lower income groups for patronage. As the demand for exclusive articles of consumption seems to be a part of economic progress, we may expect smaller organizations to hold an important place in retail distribution of men's clothing. There is a large and pertinent element that demands features in regard to style and design which are characteristic of a smaller scale of operation.

Finally, the independent store can do much to meet the competition of the chain by improving merchandising methods. The utilization of budgetary and stock control methods, elimination of non-selling price lines, concentrated buying, productive and systematic advertising policy, improvement of store interior, better knowledge of commodities sold, training of sales force, and other retail policies will greatly strengthen the competitive position of the independent clothier.

The chain has had the effect of improving the entire retail situation. It has forced the independent clothier to become a better merchant, with consequent gain to the consumer. The chain has likewise been a selective force in weeding out the incompetent retailer and in liberating a flow of capital to more productive channels.

So far, our discussion has indicated that the independently owned store has several ways of successfully competing with the chain store. Others are not so optimistic regarding the ability of the independent store to compete with the chain. E. A. Filene, of the Filene Store, Boston, maintains that small,

individually owned stores must form chains of their own retaining individual ownership but with centralized executive and staff organization if they wish to survive. Even department stores he thinks will have to organize into chains.¹ The opinion of this authority is to be respected, and no doubt holds true for many lines but in the retailing of men's wear, the small, independently owned store will surely play an important part for some time to come.

The Wholesale Distributor and the Chain Store—The success of many wholesale distributors is intimately bound up with the success of their retail units. Therefore, many of them have taken definite steps to aid the retailer in meeting chain competition. Conspicuous among these plans is that of a group buying plan organized by the wholesale distributor. This is a more common tendency in furnishings than in clothing.

In a survey made of fifty leading wholesale distributors the following plans to assist the retailer in meeting changing competitive conditions were noted: (1) factory prices to retailers, (2) organizing cooperative buying associations, (3) assisting the retailer in the improvement of his merchandising methods, and (4) price leaders.

Butler Brothers are a leader in this movement to assist independent merchants to meet the competition of chain stores. They have organized special buying groups which buy and advertise certain articles collectively. Although the bulk of Butler Brothers' business is in lines other than clothing and furnishings, their policy is a suggestive way of using this competitive situation. In many instances, the pressure of chain store competition has induced the independent to utilize the services thus offered by the wholesale distributor—services which had not been heretofore available. Manufacturers and wholesalers have now, for a considerable period of time, stood ready to assist the retailer in improving his merchandising

¹ Hayward and White, *Chain Store*, p. 11.

methods. In the absence of credit difficulties, however, the retailer was not at first inclined to take advantage of these services.

Not all wholesale distributors have been content merely to assist the independent retailer. Because of the growing pressure from the chain stores and group buying organizations, many manufacturers and wholesalers have gone into the chain store business themselves or have secured financial control over a selected number of retail outlets. This movement appears to be purely a defensive one and reflects the changing competitive situation.

But besides their intense interest in the competitive situation occasioned by the chain store, retailers and wholesale distributors of men's wear are keenly attentive to the future development of this distribution agency in the men's apparel trade. What will be the nature of this development? How far can it go, and what are some of the factors that would limit its growth?

The Future of the Chain Store in the Men's Apparel Trade

There are several possibilities in the way of chain store development in the men's wear field. These possibilities do not necessarily presuppose the opening up of new units, but rather the application of chain store control to already existing stores. The greatest source of development, without a doubt, will be in the way of the vertical integrations that have already been mentioned. Vertical integration marks a passing of control and places the economic processes of production and distribution under a single authority. In many respects, it is the most revolutionary measure in the history of the clothing trade in many years. It is limited only by the extent to which large-scale organization can be applied to the decentralized distributive process. There is, of course, the danger that social control may slow down this development, but the great public interest

in efficient production and distribution should curtail this danger.

Another chain development already initiated and promising considerable future growth, is the purchase by a central unit of already existing independent stores. One plan is to acquire a number of stores of a certain type doing a certain volume of business. There are plenty of clothing stores as such, many of them operating successfully. These stores are frequently induced to sell their interests or a portion of their interests to a chain system.

Clothing and furnishing chains have not, as yet, entered the smaller towns to any great degree. It is, therefore, probable that some chain expansion will move in this direction.

Another augury for future chain store development is found in the fact that, thus far, the chain store movement is concentrated in the East and in large cities. From a geographical standpoint, those cities west of the Mississippi River and in the South offer an excellent field for chain development. From the population aspect, smaller cities are an inviting opportunity for chain stores. These smaller cities already feature in the chain store distribution of convenience goods. Cities ranging from 5,000 to 25,000 population afford one of the largest fields for development. About twelve million people live in such communities and a large part of the rural trade lies within their shopping areas. The cost of establishing new stores in such areas is not great, so that, where the taking over of existing units is not feasible, the cost of establishing new units does not require a great outlay of capital.

There are today in the men's wear trade many small chains, that is, chains operating but a few units. In the future, systems of a like nature and with the same merchandising problems may find it desirable to consolidate.

It seems clear from the foregoing outline that there are broad possibilities of future development in the men's wear chain. Many of these are in a formative and experimental

period, but it is fairly apparent that the struggle of manufacturers and wholesalers for markets is forcing them, also, into the development of chain store systems, even as producers and retailers have been forced to adopt the vertical integration. Retailers are aware of the fact that buying in large quantities for cash insures lower prices. This element in our competitive system promotes either a chain store development or a group buying movement. It must be remembered that, as the number of these combinations increases, the special price advantages will proportionally diminish. This fact points to the improved position of the vertical integrations.

The wide use of advertising may stimulate chain store development. Advertising is a common feature of competitive merchandising and can be utilized to much better advantage by a large organization than by a small one. Advertising is also effective in reducing the importance of the personal element in selling. Chain stores that have found the personnel problem a difficult one, have found the use of advertising an efficient means of reducing this problem.

It is not to be assumed that the chain store will necessarily sweep the men's wear field. Our growing wealth, the importance of style, the desire for more service and personal contact, will always be limiting factors in chain store development.

A problem as yet not scientifically worked out, but affecting all large-scale retailing, has to do with the limitations of size and the operation of the law of balanced proportions.⁷ To what proportions can a business organization attain before decreasing returns set in? In reviewing the history of integration in other fields of economic activity, one of the most interesting facts brought out is the low profits following the merger. Many units of the integration found that they enjoyed larger profits as separate units, than as a part of a combine. Manufacturers and retailers who look for magic profits from chain store organization may be disappointed.

⁷A. S. Dewing, *Corporation Finance*, pp. 193-195.

Economies are inevitable as the business increases in size. These economies are connected with those parts of the business which are not concerned with personal judgment or individual skill and attention to detail. They are incidental to the automatic phases of the business. On the other hand, as the business enlarges, certain wastes creep in which increase with greater rapidity than do the economies. These wastes, in contrast to the economies, pertain to all phases of the business where personal skill is required. They pertain to what one might call the humanities of business. The critical point in the expansion of any business is reached when the wastes incident to mere size overcome the economies.

One of the principal limitations in chain store development is found in the mental capacity of managers and executives. After a certain point, the possibilities of centralized administration decline. This limiting point is reached much more quickly if a high degree of skill is required. This observation is forcibly emphasized in noting the requirements for a store manager of a chain selling convenience goods in contrast to those for a manager of a chain selling specialty goods (men's wear).

Finally, competition for locations results in higher rents and this may retard chain store progress, also, as already noted, the competition for price favors from manufacturers is another drawback.

Summary—The chain store is an important competitive factor in the merchandising of men's wear. It has progressed because of superior merchandising technique and because the independent retailer has been careless in his merchandising methods. To meet this competitive situation, retailers are adopting new methods and wholesale distributors are assisting them. This, in some cases leads to an improvement of the independent retailer's situation and, in others, results in either the establishment of a cooperative buying organization or in

both distributors entering the chain store business itself. Although the chain store will not sweep the men's apparel field to the same extent that it has in other trades, it will continue to enjoy steady growth. Yet the progressively operated independent store should be able to meet its competition.

The chain store satisfies consumer demand to the extent of offering certain economies, but the demand for men's apparel is a distinctive one and frequently requires more service than the chain store is able to offer.

CHAPTER 7

RETAIL PROBLEMS AND POLICIES

Any discussion of retailing of men's apparel necessarily concerns itself with the merchandising problems and policies of the unit clothing store, referred to by the trade as the "independent." Some of these problems and policies have been touched upon in earlier pages. The following material, although a statement of principles, is primarily concerned with the independent store and comments on other store types will be specifically indicated.

The progressive retail clothing store is a decidedly modern institution. Five years ago, many stores could have been found without any control system or adequate system of records. Moreover, retailing has been very slow and uneven in its progress. Because of this tardy and uneven development of better retailing, much of the primary material presented in this and the following chapters is lacking in uniformity. Likewise, there is considerable variation in the purpose behind the collection of these data. Nevertheless, it is hoped that the experiences of the various stores which make up the primary sources for the study will offer some guide and set up some standard for the retail clothier and furnisher in the conduct of his business.

An approach to basic problems and principles must, in a sense, first state the elements of retail competition. It has already been observed that the interpretation of consumer demand, the ability to merchandise with the fashion cycle, and to stock garments of the proper size and type are factors making for success in the retailing of men's apparel. Likewise, the type of store is an important competitive element

Other elements of retailing around which competitive problems center are location of store and stock arrangement, the personnel, buying—and this means not only the bargaining advantage of various stores but the ability to buy scientifically, selling, advertising, pricing and turnover, and the adoption of scientific merchandising methods. All are forces determining the profit differences between stores doing about the same volume and type of business. Underlying these are the elements of service and store personality.

A discussion of these elements, together with their related problems, make up this and succeeding chapters. It is the object of the present chapter to discuss (1) store location, (2) stock arrangement, and (3) personnel problems, including the selection and training of salespeople, methods of compensation, and the problem of labor turnover.

Location of the Retail Clothing Store

With the increased competition in retailing and the importance of rent as an expense factor, store location is a primary problem. The annual volume of business done, type of store, size of city, nature of commodity, and class of trade sought, or the trade appeal of the store, are all factors bearing upon the problem of location.

A good location carries with it elements of prestige and a capacity to attract trade. Also, the most effective use of displays accompanies superior locations. One of the wastes in retailing comes from a poor store location. Specific studies show that a poor location is one of the causes of business failure, and if not business failure, certainly smaller profits. Store location is now being studied with notable success by many concerns. The chain stores have, no doubt, led in this respect and their achievements tend to show the practicability of applying recognized factors in store location to actual business endeavor.

Retail Localization—Urban development has brought with it the tendency of retail shops of various types to "localize." This localization of retailing has led to what is known as the retail district. In more specific localization, stores dealing in men's wear are sometimes found on one side of the street, and stores dealing in women's wear on the other. Localization is profitable to the merchants and a convenience to customers. Even men's wear customers like to shop and compare values and this is made easily possible by the localization of retailing.

Factors in Store Location—A number of factors enter into the determination of the value of a retail store location. Accessibility is a site factor of utmost importance, because of its great influence upon the convenience of the customer, with consequent close connection with the profits of the store. In cities, this factor includes proximity to a street car line, parking facilities, and traffic intersections. The method of actually counting the number of passers-by gives quantitative expression to the factor of accessibility.

The retail clothing must also reckon with the purchasing power of the clientele which a given location would be apt to bring him. This has its bearing upon the amount of rent that he can afford to pay.

The frame of mind of the people who pass the store is another factor. People going to and from work are not good customers for clothing stores. Nor are pleasure seekers likely to be attracted to a men's apparel shop. The men's wear customer as a rule seeks the retail district and is not so given to chance purchases. The purchaser of clothing and furnishings seeks the retail district with a definite idea of making a purchase, or at least making comparisons.

Competition Attracts Customers—This fact was noted indirectly in retail localization. Consumers like to trade where there is evidence of active competition—and it is also true that

those concerns which make a study of retail location prefer to locate where there are others in the same line of trade. Merchandising competition in this form not only attracts trade from farther away, but it develops new wants that did not exist before.

One side of a street is usually more popular than the other. This may be due to the fact that if the street is not level, the upper side is usually more traveled than the lower. Again, one side of the street is shady, the other side, sunny. In the summer, the preference for the shady side may be quite marked. From the retailer's viewpoint, satisfactory displays are more difficult to make in sunny windows than in those in which the light is controlled or shaded, a bright glare from the outside tends to make a mirror of the plate glass windows, so that goods can not be displayed to the best advantage. Further, the sun's rays will spoil certain types of fabric. Another factor in determining the preferable side of the street is the convenience to the street car stops.

Certain locations may be undesirable because of a vacant store room adjoining them. This is apt to create the impression that business is not flourishing in that district. The past record of a building planned for stores sometimes influences the going concern that is considering it. A location which has previously been a profitable one is generally considered a desirable location—and the reverse when the opposite is true. Many locations have been unproductive even under the most skilful management, and are sometimes termed "hoodoo" locations.

Goodwill adheres to a location, which is one reason why a well-established business hesitates to move. In rapidly growing cities there are often changes in retail location and districts. Not infrequently, an established retailer, when moving into a new trading district, will continue to operate the old store, for a time at least, so as to maintain that goodwill resulting from trading habit.

Rent as a Selective Force—Rent is the measure of the site factor. Before he locates, the retailer should estimate his probable sales so as to determine whether they will justify the amount named for rent. Specific surveys have definitely indicated that stores in different locations in the block or trading district have higher sales per square foot. Under skilful managerial ability that can lead to increased sales and the lowering of certain expenses, stores in these locations can afford to pay a higher rent. Certain retailers can then afford to outbid others and this tends to give the best locations to the best managers. Chain stores have been known to pay much higher rents than independent stores in similar locations.

TABLE 5 RENTS IN RETAIL CLOTHING STORES CLASSIFIED ACCORDING TO ANNUAL SALES VOLUME¹

1927 Annual Total Sales Volume	Rent in Terms Percentage
Below \$100,000	3.4%
\$100,000-\$200,000	3.45%
\$200,000-\$500,000	4.1%
\$500,000-\$1,000,000	4.15%
Above \$1,000,000	4.75%

Rents for retail sites are sometimes fixed by custom. This together with the long-time lease, tends to eliminate the play of competition. In urban centers, retailers usually attempt to avail themselves of a long-time lease arrangement.

Another aspect of the subject of rent is advantageous use of floor space. Many stores have too great a frontage and are paying too much rent in relation to their annual sales volume. They could minimize this situation by adding extra lines or by renting a portion of the floor space. There thus enters in the important principle of proportionality, the principle which has to do with the most effective utilization of the elements that make up a retail establishment.

Rents in retail clothing stores vary with stores of different sizes—that is, stores varying in annual sales volume. Ex-

¹ *National Retail Clothier*, March 22, 1928.

pressed as a per cent expense to gross sales, the figures in Table 5 indicate this variation

Expressed as a percentage to net sales, the rent was 2.95% for stores with annual net sales volume of over \$100,000. For stores with annual net sales under \$100,000 the rent was 2.9%. Compared to earlier figures available, retail rents have risen since 1927.

To recapitulate: The location of the retail clothing store depends upon the market sought, retail localization, managerial ability, and the relation of sales' volume to rent.

Stock Arrangement

A closely related problem is the problem of stock arrangement. Poor and unsystematic arrangement of merchandise contributes to unseen losses because salespeople can not work quickly and very often can not even find merchandise that is actually in the store.

The arrangement of stock depends upon the size and type of store, the nature of the commodity, and the behavior of consumers in purchasing. Some clothing stores are large enough to maintain separate floors and departments for the major items and department stores frequently carry out the idea of specialty shops for the various merchandise divisions.

Nature of Commodity and Stock Arrangement—For purposes of arrangement, the classification of commodities given in Chapter 2 may be utilized,² that is, the various items of men's apparel may be classified as convenience goods, specialty goods, and shopping goods. Between the boundaries of this grouping come impulse goods and luxury goods. Impulse goods are goods which would probably not be purchased if not seen. These should go to the right and always toward the front of the store. Convenience goods should also be laid out

² University of Colorado Business Bulletin No. 16, p. 12.

³ See Chapter 2, p. 38-39.

toward the front of the store. Luxury goods, such as high-class sport accessories and men's accessories of a gift nature require a special display because they would not be purchased unless actively brought to the attention of the customer. Many persons, in shopping for a gift are not aware that regular clothing stores are in a position to meet their needs. This makes the special display quite desirable. The display of specialty goods may be less conspicuous. The same is true of shopping goods, but they are more subject to prominent display than specialty goods.

In another scheme of arrangement, the layout of stock may follow the idea of the ensemble. In the case of furnishings for example, it may be built up around the shirt department. Here one would find neckwear, collars, handkerchiefs, collar pins, and other associated items.

Other items demand special surroundings. For example the student trade is best obtained by spacing off a section of the store and creating a clublike atmosphere. Boys' clothing is more successfully merchandised when operated as a separate department. Men's suits and overcoats, work clothing, and hats lend themselves to special departmental arrangement.

The layout of merchandise may also be governed by such factors as age of wearer, and price. The "age of wearer" is very satisfactory because it makes a distinctive appeal to customers. It has the disadvantage, however, of promoting duplication of merchandise and undesirable competition between departments. There is some tendency to use the "price" basis that is, to arrange goods by price divisions, but this appears to be a part of a general trading-down movement.

The larger stores, regardless of type, have made a great advance in improving the layout of merchandise. The small store still lags behind. All too frequently the smaller stores present the appearance of a rural general store. There is no evidence whatever that the slightest thought has been given to the stock arrangement, no consideration of the nature of the

commodity or of consumers' buying habits is to be discovered anywhere.

Lighting and Fixtures—The subject of stock arrangement raises the general problem of store interior. The average clothing store is very poorly lighted, so that displays often add to the gloom instead of increasing sales. In selling clothing it is essential to have proper lighting. Many retailers could profitably spend more on their lighting fixtures in order to secure sufficient illumination and a more attractive interior.

Fixtures are necessary to proper display and tend to improve the appearance of the entire store. Incidentally, good fixtures strengthen the competitive position of any store. Fashionable fixtures are bound to receive favorable attention. Most any customer prefers to trade in a clothing store where up-to-date equipment in the way of furniture and fixtures is used. This also applies to the fitting room. Fitting rooms are so often inadequate. Perhaps this criticism cannot be directed against the larger stores in urban centers, it certainly can be applied to the great majority of men's wear stores. There is certainly created a negative effect when a customer must try on a high-class suit of clothes in a small fitting room with only a newspaper to stand on and a chair upon which to place the suit taken off. These matters may seem to be insignificant, but, if properly attended to, they go a long way in building up a permanent following for the store.

The Personnel

Store location and stock arrangement are physical factors attracting customers. Advertising and window displays are impersonal contacts designed to bring the customer into the store, but it is the salesperson who establishes the personal contact. The increased size of retail stores has placed upon the personnel the responsibility of reflecting the policy of the store toward consumers. Everything that may be said for or

against a particular store is in some way an expression of customer attitude toward the personnel. Selection of salespeople has therefore become a specialized function, demanding a broad and sympathetic understanding of human nature, combined with keen, clear, searching judgment.

Selection of Salespeople—Salespeople must qualify in three general respects: personal appearance, health, and general intelligence. The qualification of personal appearance is essential in the retail clothing store because of the impression the salesperson is apt to create on the customer.

The work in a selling department requires physical energy and thus the good health on the part of the salesman. It is possible to ascertain the status of the employee's health on blanks provided for that purpose or by medical examination. The health factor also determines the regularity of work. To have full-time salespeople absent because of ill health is apt to result in a loss, because patronage is frequently built up around the salesman, and a substitute often fails to perform so effectively.

To aid the customer in selection and to develop the selling points for each commodity requires a good mentality. Mental fitness may be determined by examination and some of the larger concerns use this method. The pre-employment test may also be used as an indicator of the upper limit of intelligence, above which labor turnover increases.

Men's wear salesmen are recruited from a variety of sources. Many young men anticipate retailing as a career and begin as junior salesmen. An increasing number of university men are entering the field and some of the larger stores select a group of university men each year and give them a course of training, in the hope that they will become permanent members of the organization. A certain number of salesmen are available who have received their initial experience in other stores.

Sales Training—The salesman spends on the average one-fourth of his time actually selling to the customer. During all that time he is trying to accomplish the one thing that will make his store a success. This fact alone establishes the desirability of sales training. Considerable time and money is spent to bring the customer into the store, but there has been little organized effort in the men's apparel field to train the store salesmen to handle the customer after he comes into the store. A most significant trend today is the attention given to the proper education of those behind the store counters.

The Knox Hat Company has recently sponsored a course for retail salesmen, and no doubt other establishments are working along similar lines. Many retail concerns have established training departments under the direction of competent tutors, and the principles of selling—how to display and talk merchandise, how to deal with different types of customers, how to increase sales by suggestion, and other fundamentals—are impressed upon the selling organization. But whether the merchant has organized training or not, his salespeople are daily receiving training, either good or bad, and it is at his expense.

The average sales methods are so poor that a very little training^a will show immediate results and will encourage the salesman to better his methods. A most fundamental weakness in sales methods is the lack of definite, exact, and helpful selling points about the merchandise. A careful analysis of the commodity would seem to be an essential part of sales training.

Education of Salespeople—The education of retail salespeople centers around three fundamental points: (1) the store policy in relation to the public, (2) location of stock and analysis of specific value-giving qualities of the various lines of merchandise, and (3) the customer and his buying motives. These educational divisions are equally important and one should not be stressed at the expense of the other.

STORE POLICY Every store operates on some definite policy with respect to the public. The salesmen should understand the particular appeal which the store is making, its policy regarding return goods, and the extent to which it guarantees the qualities of its goods. The store history, rules, and service features should be familiar to them. The salesman, too, should have a fair appreciation of the general retail situation in his community in order to determine the competitive position of his store. A complete knowledge of store policy serves to increase the interest of salespeople in their work, to strengthen their loyalty to the store, and to make them more effective employees.

LOCATION OF STOCK AND COMMODITY ANALYSIS The location of the stock is the first thing to be mastered, and then a complete knowledge of the commodity. Knowledge of the commodity takes drudgery out of the work, it creates self-confidence, makes it easier for the salesmen to give accurate information as it is called for, and, above all, it provides material for the sales talk. Selling points are most easily obtained from a knowledge of the commodity. An unsuspected but nevertheless instrumental factor in pointing out the undeveloped sales possibilities based on a commodity analysis, has been the catalog selling of the mail order house.

In the men's apparel trade, knowledge of the commodity should proceed along several lines: (1) history of the commodity, (2) quality and construction, (3) materials and processes used in production, (4) uses, (5) elements of style and (6) the ability to construct from one item of apparel a complete ensemble. Many of these points also hinge on elements of cost, and this is very necessary information when called on to explain price differences to the customer.

Commodity analysis is a primary requisite of improved salesmanship. Goods must be described carefully and thoroughly, because customers do not always see what they look at.

Furthermore, the public does not always know the difference between price and value

THE CUSTOMER AND HIS BUYING MOTIVES The customer and his buying motives have received some treatment under the discussion of "Consumer Demand." At this point, it must be emphasized that successful retail selling is not alone a matter of store policy nor of commodity analysis, but of ability to adapt the sales effort to the various types of customers. Many clothing salesmen ruin a sale by talking price to the wrong person, others by attempting to force a sale and by other irrelevant and even hostile tactics, which react unfavorably toward the store. In other words, it is necessary to determine the buying motives of particular customers with respect to particular items or classes of goods.

Sales training should also include instruction as to how to approach a customer, how to secure favorable attention and interest, how to convince a customer, how to apply suggestive selling, and closing the sale. The salesman can increase his ability by studying why customers cease trading at certain stores and by determining their buying motives with respect to certain items. A considerable amount of primary information is available on these subjects.

Methods of Training Salespeople—In the small store, the proprietor, manager, or some member of the firm may have charge of sales training. A recent development in retail salesmanship training is the plan by which small stores are enabled to cooperate and thus secure for short periods the services of expert personnel supervisors. In the larger stores, the training may be carried on under a full-time personnel director.

The educational program of retail clothing stores includes (1) store meetings, (2) store libraries, (3) store manuals, (4) bulletin boards, (5) store bulletins, (6) store letters, (7) trade journals, (8) the purchase of some recognized course for members of the organization, and (9) motion

pictures sent out by manufacturers describing production processes. If the store happens to be located in a city where educational facilities are available, it sometimes makes an arrangement with college faculties for training of this type.

Of the various plans mentioned, store meetings, or store conferences are used most widely. These meetings occur once a week, bi-weekly, or monthly, except in the larger stores where meetings are held several times a week. In using the store meeting, some stores follow definite courses of study, others rely upon those in charge of the meeting to supply material and lead in discussion.

Store Libraries—Business libraries have come to be important as sources of information for both executives and employees. Members of the organization are urged to spend free hours in the library. The library contains books on merchandising, trade journals, books dealing with the various commodities, and books containing information on retail salesmanship.

Store manuals have been in use since 1880, but the flexible policy of most retail institutions calls for the use of store letters, bulletins and the bulletin board rather than the store manual. Men's apparel trade journals contain much information of inestimable value to the salesperson. It is unfortunate that trade journals, even when subscribed to, are not more frequently used. The present interest in men's fashions gives added impetus to the use of the trade journal.

Mention has already been made of the general nature of store training. The specific courses in retail salesmanship usually include the following subjects:

1. Merchandise—processes of production, geographical source of material, the wearing quality and other characteristics of merchandise, reasons for differences in retail prices, and correct methods of receiving, marking, storing, stock control, and display.

- 2 Psychology of salesmanship—effects and classification of buying motives, elements of tactful suggestion types of customers, manner of approach demonstration, and sales talk
- 3 Business arithmetic
- 4 Business English
- 5 Voice, speech and manner
- 6 Principles of economics
- 7 General store policy
- 8 Store organization
- 9 Store routine
- 10 Special store problems

Below are some practical plans in actual use, which may be adapted to the needs of the small store and the specialty shop

Elementary Salesmanship

History of store
Cost of training
Store's ideal
Store's conduct
Telephone courtesy
Store routine

Advanced Salesmanship

Studying the customer
Points in opening the sale
Closing the sale
Customers' similar traits
Types of customers
Knowledge of merchandise
Turnover
The display of merchandise
The sales talk

In addition to store training courses, universities are offering courses in Merchandising, which include material of immediate value to the salesperson. New York University has a graduate school of Retailing. The University of Southern California offers a four-year undergraduate program in Mer-

chandising The University of Pittsburg provides training in Retailing, and such universities as Harvard, Columbia, Pennsylvania, and Northwestern devote courses to merchandising problems

Sources of Material—The store proper provides a laboratory of instruction Much of the material for instruction must come from the buyers and other executives Trade associations and manufacturers are active in supplying every aid to the advancement of the retail salesman's education The material supplied from these groups comes in the form of magazines, handbooks, motion pictures showing manufacturing processes, conventions, mail courses in retail selling, and other helpful matter

Another source of knowledge with regard to the organization and presentation of a store training course is the specially trained teacher graduated from a reputable school of retailing Study of the courses offered in the universities just referred to will be suggestive of valuable sources of material for the training of personnel

Advantages of Retail Sales Education—The advantages of retail sales education center around (1) the retailer, (2) the public, and (3) the salesman The retailer gains a more efficient sales force which, by virtue of its efficiency, minimizes selling losses, merchandise returns, and tends to build up greater sales to more satisfied customers The consumers confidently look to the retail salespeople for accurate information concerning merchandise, and, in the purchase of clothing, learn to demand considerable service The consumer who has the opportunity of trading with a well-trained salesperson is doubly benefited, for to spend money wisely and to good advantage is a difficult job, and the shopper will find such a salesperson of immeasurable value The salesperson himself gains a well-founded self-confidence and self respect in the consciousness of competent ability, and experiences daily a satisfaction in

service that stimulates him to a stronger loyalty toward his employer and his job, and wakens a purposeful ambition. It is not strange that the importance of organized training for salespeople has been increasingly recognized, and that retail selling is now regarded as a skilled employment of the first rank.

Any type of adult business education has its difficulties. No one method can be applied everywhere with equal success. Constant supervision and careful analysis of results are always essential. But in no field, perhaps, have educational programs been so fruitful of reward as in the field of retail salesmanship.

After the selection and training of salespeople comes the problem of the method of remuneration. This is the cornerstone of all personnel work. There are many methods of compensation but they all recognize that some incentive beyond the straight wage must be offered.

Methods of Paying Salespeople⁴—Selling costs constitute a considerable item of expense to the retail clothier and furnisher, hence the importance of developing productive methods of remuneration. The central problem is one of pay plus incentive. Yet a nice balance must be maintained. In a store where the element of service is of unusual importance, it is dangerous to emphasize the incentive of greater sales so far as to minimize the service element. For this reason many stores are returning to a straight salary basis, and are giving up the commission plan. The problem of paying salespeople must also be concerned with the distribution of selling and non-selling duties. For example, in the small store and in the rural store, where these duties are combined, straight salaries are the rule.

Detailed studies of the methods of paying salespeople show many compensation plans in retail clothing stores. These plans may be classified under three main divisions: (1) straight

⁴For more detailed discussion see *Plans for Paying Sales People in Retail Clothing and Furnishing Stores*, published by National Association of Retail Clothiers and Furnishers.

salary, (2) straight commission, and (3) a combination of salary and commission. The combination of a straight salary and commission has its corollaries: (1) straight salary supplemented by a commission on sales, or a bonus on both, (b) profit sharing plans whereby the employee gets a certain per cent of the gross or net profits, and (c) efficiency plans based on the point system.

1 **STRAIGHT SALARY** The straight salary is the oldest method of paying, and is well adapted to the smaller store and to the payment of untrained employees. The success of this type of payment depends upon the proper selection of salesmen and upon the facility with which advancement in salary is made in relation to the development of the salesperson. Although the straight salary plan may not offer adequate incentive, it does have some very positive advantages. It emphasizes the matter of service and where the element of service is of decided importance, this method of payment is highly desirable. Further, under the straight salary, salespeople are more willing to take care of stock and perform other non-selling functions.

2 **STRAIGHT COMMISSIONS** Under the commission plan, salespeople are paid a certain percentage of net sales.* This plan provides compensation in proportion to sales, thus giving a strong incentive to the employee to exert every effort for large sales volume. Another advantage in this plan is that it provides an accurate forecast of selling costs for budgeting purposes. If the drawing account is properly adjusted and the percentage of commissions accurately determined for the year's business, the periodic remuneration of the salesman is distributed over the year so that he is always assured a living wage, his total annual income depending upon his efforts. Most clothiers operating under straight commissions guarantee the employee a minimum salary because of the seasonal element in this business.

The commissions vary with the size of the store and the range of departments in which the salesman is permitted to sell. Where salesmen are not permitted to sell in other departments, the average commissions are as follows:

Men's clothing	4 7%	Men's furnishings	6 4%
Men's hats and caps	7 0%	Men's and boys' shoes	6 5%
Boys' clothing and furnishings	6 0%		

The disadvantages of a straight commission plan are (1) the danger of overselling, and (2) the tendency for the salesmen to concentrate on lines and items easiest to sell. To overcome this latter point, the commission is sometimes increased or a bonus is given on items which have been in the store a certain length of time. Most retailers are unanimous in their comment on the danger of overselling, and the best salesman under the commission plan may actually prove to be a detriment to the stability of the store.

3. SALARY AND COMMISSION In an effort to secure the best results from the payment plans mentioned above, a combination of a salary and commission is sometimes utilized. This involves a minimum salary, a small commission on all sales, or on sales up to the quota, and a larger commission on sales over the quota. The minimum salary takes the form of a drawing account, and the variations in commission may be on the sliding scale plan or on a graduated scale. In one example of the sliding scale plan, the salesman receives 4½% on sales up to \$40,000, 5% on \$40,000 to \$60,000, and 6% on \$60,000 and over. With the graduated scale, the salesperson receives 5½% on sales up to \$45,000, and an additional 1% on excess between \$45,000 and \$50,000, an additional 1½% on an excess between \$50,000 and \$60,000, and an additional 2% on sales in excess of \$60,000. On the basis of sales amounting to \$100,000 the plan nets \$1,300 more to the salesman than the preceding plan.

Another variation is to graduate commissions according to unit sales. For example, salesmen may earn 3% on all units up to \$40, 3½% on units from \$40 to \$50, 4% on units from \$50 to \$60, and 4½% on all units above \$60.

(a) **SALARY AND BONUS** With a salary and bonus plan, the salesmen receive in addition to their regular salary a certain amount of money or bonus given at different intervals throughout the year. In the retail clothing trade this bonus is usually based on an increased sales volume over the planned quota. Thus, at the end of a certain period one salesman may earn his salary only, and another, by going over his quota, receive a bonus. If a salesman shows a tendency to fall below his quota, he is transferred to another department or placed on a different compensation basis.

In men's clothing, the quota is based on a 4% average rate of selling expense. This is a mean of the monthly percentages, which vary from 3½% to 4½%, according to the month. At the beginning of each year a monthly selling percentage is figured, and all quotas are derived from them. Above the quota the salesman receives 2% bonus.

Common quota and bonus percentages are shown below.

Men's wear	4%–7% quota	1%–5% bonus
Haberdashery	5%–8% quota	1%–5% bonus
Shoes	5%–10% quota	1%–4% bonus
Hats and caps	5%–6% quota	3%–5% bonus

The quota bonus system has the advantages of reducing selling costs, despite the fact that it requires constant supervision. Aggressive salesmen are apt to reap the greater benefits, which raises an objection, namely, that the salesman is apt to push sales to the curtailment of permanent customer relations.

There are also so-called extra commissions in the form of "spiffs" and "P M's" (premium money). This type of commission is used to encourage salesmen to clear the store of

merchandise which has been left over, or is apt to be left over, after the season for that article is gone. Many stores place a direct time limit on the articles on which P M's are given. Experience has shown that it is more effective to give a P M of 10 cents than to take a markdown of four times as much. It is the function of the retail store to bring values to the attention of customers, and frequently this extra commission is a justifiable means of accomplishing this result. The danger of the spiff or P M is to place the interest of the salesperson first and thus tempt him to disregard the interest of the customer.

Compensation practice in retail clothing stores includes bonuses for exceeding daily sales, for cooperation with other departments, and bonuses intended to keep drawing accounts at a minimum. For example, a bonus of $1\frac{1}{2}\%$ is offered on all amounts earned over money advanced at the end of the settlement period. In some retail institutions, a service bonus is paid yearly on the basis of annual salary for the length of time in service of the company.

(b) **PROFIT SHARING** In addition to their regular wage, employees in some stores are given a share in the net profit of the concern. The aim of this policy is to identify the interest of the employee with the interest of the store. So far as the aim is concerned, it is a desirable one, but in actual practice the policy is generally unfortunate. The employee is generally uninformed about the financial status of the business and ignorant, likewise, of the business cycle and its effect on profits. It is therefore difficult for the salesperson to account for any decrease in what he believes to be his share in profit. The profit sharing plan as such is, therefore, not recommended. Its incentive had best be attained in some other fashion.

(c) **POINT SYSTEM** Payment plans based on the point system are not widely used in retail clothing stores. Under these plans the salesman is graded according to his per cent

increase in sales. The net effect of this plan is similar to the bonus and extra commission system.

Non-Selling Personnel—The common method of payment of non-selling personnel is the straight wage. However, some of the larger stores have made analyses of the various non-selling duties and have worked out bonus plans even for those engaged in non-selling activities. The general principles of a bonus plan in non-selling departments are the same as in the bonus plan for the salespeople.

Buyers' Compensations—The problems involved in buyers' compensation are similar to those in the payment of salespeople, and the bases of reward are practically the same. The most common practice of stores is to pay the buyer on the basis of the successful operation of his department. In the clothing department, estimates show that most buyers receive between 2% and 2.5%, based on sales. Some practices involve paying buyers a minimum salary plus a bonus in the form of a commission on net sales. Other buyers are paid a percentage on maintained markup.

Statistics as to Methods of Paying Salespeople—The comparative use of the various plans of paying salespeople is indicated in Table 6, page 184. It is noted that straight salaries predominate in the smaller stores, straight commissions in the larger stores, and the salary and commission in stores of middle size.

Figures are also available for total payments received by highest salesmen and lowest salesmen in the clothing departments of representative stores for the year 1927. The highest salaries ranged from \$2,450 to \$7,190, the majority were between \$3,000 and \$4,000. The lowest salaries ranged from \$1,580 to \$3,400. This figure is above the estimate made of the average annual wage of men's clothing store employees in

TABLE 6 METHODS OF PAYING SALESPeOPLE IN RETAIL CLOTHING STORES FOR 1927 (STORES GROUPED ACCORDING TO TOTAL ANNUAL SALES VOLUME)

1927 Total Annual Sales Volume	Paying Straight Salaries	Paying Straight Commission	Paying Salary and Commission
	%	%	%
Below \$100,000	64 0	7 0	29 0
\$100,000-\$200,000	40 0	30 0	30 0
\$200,000-\$500,000	25 0	12 5	62 5
\$500,000-\$1,000,000	16 0	66 0	18 0
Above \$1,000,000	10 0	80 0	10 0

ten cities. This average extends from \$1,265 in Springfield, Illinois, to \$1,932 in Chicago.

The various methods of payment discussed above possess merits varying with the size and type of store. It is essential that the compensation plan be adapted to the particular store. This is determined, for the most part, by analyzing the ratio of selling expense to total sales and considering the distribution of the salesman's time between selling and non-selling duties. Such an analysis would indicate that oftentimes store owners are working for their salespeople, when just the reverse is supposed to be the case.

Labor Turnover in Retail Stores—Labor turnover refers to replacements in the working force of an establishment during a given period. There is a continuous change of personnel in any trade whose operations require the employment of a considerable number of persons. A constant changing in any store is undesirable because it tends to increase wages and outlay for hiring and training, to lower the productiveness of the store, and to reduce the volume of business. A small organization is often unconscious of any labor problems because personal contact of employer and employee eliminates misunder-

¹ *The National Retail Clothier*, March 22, 1928.

standing and friction. In larger stores this is not the case. Resignations, "lay-off" and discharges constitute the principal causes of turnover in a number of retail stores investigated.

Cost of Labor Turnover—"It is difficult to ascertain accurately the cost of labor turnover, but estimates indicate that an expense varying from \$20 to \$50 is undergone in losing and replacing an employee.

The costs of labor turnover are here considered with respect to (1) the employer, (2) the employee, and (3) the public. The employer in replacing an experienced employee, entails expenses due to (a) loss of skill of former employee, (b) advertising for new employee, (c) interviewing and hiring the new employee, (d) adapting new employees to their position, (e) reduced sales, (f) loss of goodwill due to dissatisfaction of customers.

The employee makes some sacrifice in (a) loss of earnings while unemployed, (b) expense and difficulty in securing a new position, (c) possible low earnings while learning the new position, and (d) lowered efficiency through intermittent employment.

The burden of labor turnover is in part, shared by the public. Labor turnover increases the expense of retail operation, which in some cases is passed on to the consumer. The public also encounters inconvenience and dissatisfaction because of the poor service that is inevitably occasioned by changes in the employed personnel.

Summary—This chapter has concerned itself with the physical problems of location and stock arrangement, on the one hand, and personnel problems, on the other. Both problems have as their objective the development of goodwill and patronage. A poor location, disorderly arrangement of stock, and inefficient salespeople drive customers away from the store.

* Labor Turnover in Nebraska Department Stores." University of Nebraska College of Business Administration Bulletin No. 8.

Conversely, well-located stores, with satisfactory stock arrangements and a well-trained, alert personnel, practically compel patronage.

These problems not only center toward the goodwill of the store, but, when properly analyzed, make for greater profits through expense reduction. Both rent and wages must be observed with reference to total sales. The whole question of proper adjustment of expense factors to sales is one of the most difficult of the operating problems and will, later on, receive fuller treatment.

CHAPTER 8

RETAIL BUYING

The problems and discussions of earlier chapters, particularly Chapter 7, have been considered largely from the point of view of the tradesman who has goods to sell at a profit to a consuming public. But in a very real sense the retailer is a representative of the community's interest. For one of his essential functions is to act as purchasing agent for the community. In this capacity the retailer interprets consumer demand in all its varied aspects to the producer, and secures for his community articles suited to its needs and to its purse. In the merchandising scheme, retail buying is, therefore, one of the connecting links between production and consumption.

With the shift from a seller's market to a consumer's market, the task of retail purchasing has become more difficult. Trading habits of consumers, the interest in fashion, and the competitive influence in the retailing of men's wear have combined to enhance the importance of the retail buyer, and, at the same time, to make more difficult the task of efficient buying.

Some of the important buying problems—buying with the fashion cycle, order distribution according to various sizes and types, etc., were analyzed in the discussion of the retail distribution of men's wear. Another problem, the importance of buying as a competitive element, received consideration in our discussion of retail types, especially the chain store. It is the object of this chapter to give further emphasis to these points and, in addition, to consider (1) the problem of retail buying as it applies to the men's apparel trade, giving attention to such factors as the buyers' qualifications, and buying channels,

(2) the principles underlying a scientific buying policy, (3) hand-to-mouth buying, and (4) concentrated buying

A most important problem in retail distribution, particularly of men's wear is the tendency toward cooperative retail buying, and Chapter 9 is devoted to this topic

The Buying Problem in Men's Wear Merchandising —

The buyer's effort in men's wear merchandising is directed toward having in the store the right goods at the right time, in right quantities, at the right prices. This is but another way of saying that the retailer's buying problem is an interpretation of consumer demand. To repeat what was stated in an early chapter, the retailer must buy what customers can buy, buy what customers like, and buy what customers will buy. A successful men's wear buyer must measure up to a high level of ability and intelligence.

Qualifications of the Buyer —The buyer of men's apparel must be more than a buying specialist—he must be a good merchandiser, possessing tact, judgment, and honesty. He must be free from the seductions of commercial bribery.

In most lines of men's apparel, it is essential that the buyer possess what might be called a style sense. That is, he should have the ability to visualize the various garments with reference to the needs of his customers. Many successful buyers make it a point to select garments for particular individuals who patronize their store.

The buyer should be willing to make a proper use of records and information which a good system of stock control places before him. Buyers who work against scientific guides to judgment, such as a control system, are stumbling blocks to successful retailing.

Place of the Buyer in Store Organization —The place of the buyer in the retail organization depends upon the size

and type of store. In the larger stores, the buyer may or may not be the merchandising manager for his department, although best results are obtained when the buyer does his own merchandising. The same buying functions must be performed in both the large and small store. The large store buyer has the benefit of specialized advice from the merchandising staff, and in some cases from fashion advisers, yet, in many respects, the small store buyer has considerable advantage in buying. He is in more active contact with the consumer and is constantly in a position to secure information which will enable him to interpret more closely the demand of his community. The small store buyer is again at a disadvantage, however, because of duties that are too varied.

In most retail clothing stores, the buying is done by the proprietor, who is frequently assisted by his salesmen. In some stores the responsibility of purchasing for certain departments falls to one of the salesmen who is in active contact with that department and more apt to be informed on customer choices. Most buying is haphazard and there is abundant opportunity for its improvement.

Phases of the Buying Problem—Retail buying is buying for a definite resale price, elements of markup and markdown must be considered. Price zones must be determined and purchasing directed to them.

It is important that the retailer keep in mind that he is buying to a definite retail price rather than at wholesaler's cost. This retail price must be high enough to allow for markdowns which may have to be made before the season is over. If sales were carefully analyzed, it would be found that the bulk of the sales is made in from three to five price ranges. Yet many retailers insist on buying in eighteen or twenty price ranges, because of their failure to analyze sales with reference to price distribution and their consequent ignorance of a vital condition in their business.

The retail buying problem is also modified by the type of merchandise carried. Certain items of men's apparel are more or less staple items and as such are purchased continuously; other items are affected by style. The buying of staples is an example of routine buying, the buying of style goods an example of problem buying. In the case of problem buying, the interpretation of the community's taste is more difficult, because more individual prices and elements of quality and style must be considered. The stock ranges vary more than in the case of routine buying. In either type of buying, however, there is always the problem of replenishing the stock, or "supplementary buying."

Other factors entering into the retailer's buying problem are distance from market, credit facilities, use of nationally advertised and branded goods, use of exclusive agency agreements, and nature of sales promotion program.

In the case of substitution by the manufacturer, the retailer may be forced to place his business with another concern, although sometimes, on the contrary, this practice might satisfactorily supply his trade. Substitution is more often a by-product of supplementary buying.

Some retail buyers make a practice of sharpshooting, spending time in the market seeking low-end assortments and job lots. This practice is unsound, as it results in filling the store with an inferior grade of merchandise not suited to the retailer's trade, which detracts from the sale of his regular stock. It is much safer to confine buying to reliable resources and give less attention to bargaining and price hunting.

The lack of a good stock control system complicates the task of retail buying. Almost anyone can be a successful buyer on a rising market, but when the market is receding and prices are fluctuating downward, the utmost care is necessary. Stock control furnishes a guide to this situation, and, as has been noted before, it follows that successful retail buying becomes a definite part of merchandise planning and control.

Because the buying problem has grown to be a complicated matter, the retail buyer now seeks the market. In some cases, this takes the form of definite market representation, either through a resident buying office or through some cooperative buying association. The immediate reasons for the retail buyer's seeking the market are the increasing rapidity of style changes, the necessity of studying market sources controlled buying, price changes, and the desirability of securing what might be called men's wear novelties. Market representation sometimes comes about because of the desires of retailers to establish a central buying office, where they can pool their purchases.

Buying Channels —A resource in merchandising is a place where a buyer may secure his line of merchandise. Basically, there are three general resources: primary, secondary, and foreign. The primary resources are those of the manufacturer or producer, the secondary resources refer to the jobber or wholesaler, and the foreign resources may be direct to the foreign producer or his agent. The trend in men's apparel buying is decidedly toward more direct contacts. Men's and boys' clothing and men's hats are, in most instances, purchased direct from the manufacturer. Men's furnishings and work clothing may be purchased from the wholesaler or jobber, but the tendency is decidedly toward direct purchasing. The wholesaler and jobber are important in buying of a supplementary nature. Foreign resources are used by the larger and more exclusive shops, who have representatives in foreign centers to do their purchasing.

Methods of Buying —The predominating method of buying in the men's apparel trade is from salesmen. There are also other forms of buying, such as by mail, and through resident buyers, and cooperative buying offices. Retail clothiers also avail themselves of central market facilities, such as mer-

chandise fairs and buyers' weeks, which have achieved some popularity in the larger markets.

Sound merchandising practice does not presuppose the adoption of one method of buying to the exclusion of others. Despite the fact that it may take time, most successful buyers are quite willing to examine new sources of supply. This practice enables the buyer better to estimate the value of the resources he is using. Retail buying is a composite of several methods, and any recent changes in buying are merely superimpositions upon older methods.

Buying of a supplementary nature is frequently accomplished through the mail order, through routine buying from salesmen, and through problem buying from salesmen and direct from the central market.

There are still some retailers who insist that they emphasize selling and let the buying take care of itself. But, in view of the facts that have been brought out above, it is evident that the buying of men's apparel is a difficult matter and it is safe to say that, if merchandise is properly bought and the needs of the community kept in mind, greater sales are possible and losses from markdowns minimized. The retailer who formulates a scientific buying policy is undoubtedly serving best both his community and his own interests.

Scientific Buying—The first step in scientific buying is the adoption of a budgetary and stock control system. In the absence of such a system, records covering the same material must be developed. The buyer should not be hampered with statistics which are of no direct use to him, but he should have a simple statement based on past performance, present stock records, and planned sales.

In essence, scientific buying may be characterized by the phrase, "Buy from yourself first." This is but another way of stating that the retailer should make his purchases on the basis of the sales analysis from his own store records. If he finds

that most of his business is confined to several price ranges, he should concentrate his buying on these price ranges. If he finds that certain standard models or patterns have wide favor in his community, on these he should concentrate his buying. This does not mean that a part of the buying budget should not be used for developing new fashions, but it does mean that retailers should refrain from buying merchandise obviously not in demand by their community.

The aim of scientific buying is the correct gauging of the consumers' wants. Such gauging can be best achieved by developing a plan before the opening of the buying season. For example, a complete plan for the men's clothing department includes

- 1 Estimated sales, planned stocks, and purchases for the entire department in terms of dollars
- 2 Estimated sales, planned stocks, and purchases for each subdivision in terms of dollars
- 3 Estimated sales, planned stocks, and purchases by items of merchandise

This plan covers a six months' performance—the spring season, extending from March to August inclusive, and the fall season, covering the months from September to February inclusive. It is detailed for each month of the season and is subject to adjustments during the season. It should be used merely as a guide.

In addition to this plan, certain reports are necessary. Of these the "open-to-buy" report is most important. This report shows at any time during the period how much has been spent and how much of the appropriation remains to be spent. Where a piece control system is in operation, the "open-to-buy" report may further indicate in actual pieces how much has been purchased and how much may be purchased. To determine the "open-to-buy," it is necessary to have figures of stock on hand, outstanding orders, and goods in transit. The total sum is

then to be deducted from the purchase allotment for the period which gives the "open-to buy" report

To illustrate

Purchase allotment		\$15 000
Stock on hand	\$10 000	
Outstanding orders this date	1,000	
Goods in transit	500	
	<hr/>	
Total expended		11 500
Open-to buy		<hr/> \$3,500

In an earlier period in retailing men's apparel, merchants secured their entire season's requirement in a single purchase. With the shift to a consumer's market and the increased interest in fashion, this procedure is undesirable. Now, only 40% to 60% is purchased at the beginning of the buying season, leaving 60% to 40% "open-to-buy." This allows for style changes and quick changes in demand. Just how much is left "open-to-buy" depends upon the particular items. It is poor business policy to be under-bought in items where the demand is fairly steady, and the element of fashion less apparent. In such cases the initial order may reach 85% of the season's requirement.

The buyer should also have at hand reports recording the turnover of various items, a statement of fast-selling and slow-selling lines and prices, a comparison of sales and stocks, and past seasons' comparisons. Further, figures on markup and markdown aid the buyer, and many buyers would profit by studying the merchandise in which the largest amounts of reduction are taken. Such information may point to over-buying as an important cause of markdowns.

Any information on consumer demand is also of value to the retail buyer. Weather reports are an aid in immediate buying, and the relation of sales to the various changes in the weather is an increasingly necessary bit of information.

Scientific buying has been used synonymously with hand-to-mouth buying. If *properly understood*, this is all right, but

the term has been so misused that many producers think that a retailer with a control system is not buying properly. In this the producer errs seriously, and it will be well worth our while to give to the problem of hand-to-mouth buying further attention.

Hand-to-Mouth Buying¹—Rigidly interpreted, the term *hand-to-mouth* buying means "without any planned foresight." In actual practice, this is exactly what hand-to-mouth buying does not mean. It more practically means controlled buying, or buying with reference to store need based on community requirements. Various terms have arisen to describe this practice: "Current Buying," "Controlled Buying," "Quick Turn-over Buying," "Provident Buying," "Normal Buying," and "Short-Term Buying." However, common usage dictates the use of the term hand-to-mouth or controlled buying.

The problem of controlled buying is not a new one. It has commanded considerable attention since 1920, because of the increased use of the practice and because it is generally considered a part of the post-war development.

The forces which have made hand-to-mouth buying possible are closely related. For purposes of analysis these forces may be separated into two divisions: (1) general forces, or general causes of hand-to-mouth buying, (2) forces which have brought the retailer to determine upon the use of a hand-to-mouth buying policy.

Turning to the first set of causes, we note the increase in production facilities during the war period and the post-war boom of 1919. Production facilities far exceeded the requirements of consumer demand, not only for the consuming public of this country, but for such export demands as existed after 1922. This over-capacity in the apparel industry has been estimated at no less than 50% in excess of what it should be.

¹ For a more extensive discussion of hand to mouth buying consult "Hand-to-Mouth Buying" publication of Metropolitan Life Insurance Company.

to balance consumer demand. Such a situation tends decidedly to make for a consumer's market and subsequently for a buyer's market on the part of retail buyers. Excessive plant capacity is a normal situation in any competitive industry, but this condition in the men's wear industry was greatly aggravated—and still is—by the abnormal conditions indicated above. Another general factor making possible hand-to-mouth buying was the improved facilities for transportation and communication. This brought about quicker deliveries and the size of orders could thus be reduced.

Many forces have brought the retailer to determine upon the use of a hand-to-mouth buying policy. The fear of falling prices and the fear of the reduction of purchases on the part of consumers forced retailers to buy carefully. In this respect, hand to mouth buying definitely reflects a similar tendency on the part of consumers.

Another force which had been under way for some time might be called the education of the retailer. This expressed itself in the adoption of control systems. An analysis of internal records during a time of pressure forces the retailer to pay more attention to rapid stock turns and the evils of improper buying. A buyer or manager, signing a markdown slip and stating the reasons for taking the price reduction, can not help but be influenced when the reason is constantly "overstocked."

Two related forces that prompt the retailer to adopt a control buying policy are the fear of style changes and the fickleness of consumer demand. In this period of rapid industrial development, increased purchasing power, and increased leisure, consumers are open to rapid style changes. It is a situation of this kind that causes a dealer to buy only from 40% to 60% of his season's requirements, and rely upon short-term buying for the remainder. Fickleness of demand has attained a higher point annually since the war. Public education through moving pictures, radios, and aggressive magazine and newspaper

publications has tended to create a country-wide demand for a great number of articles which previously had a sale only in certain sections. With a policy of hand-to-mouth buying, the losses due to demand changes are at least shared between the manufacturer and the retailer.

The results of hand-to-mouth buying can best be analyzed through a discussion of the manner in which they react upon the wholesale distributor and upon the retailer. In the clothing industry, hand-to-mouth buying means the definite acceptance of a style or fashion risk which the men's apparel producer has already assumed. This necessitates carrying stocks in larger variety and the development of facilities for making rapid deliveries. Hand-to-mouth buying means that the burden of financing the holding of stocks must fall upon the wholesale distributor. Likewise, the burden of forecasting demand and style changes shifts definitely to the wholesale distributor. In some lines, the effect of hand-to-mouth or control buying has been to increase the production cost.

From the retailer's viewpoint, hand-to-mouth buying of the proper type is now a permanent practice. Unfortunately, many retailers mistake a short-sighted policy of under-buying for (what they consider) hand-to-mouth buying. This is especially true in the case of those stores that operate without the aid of an adequate control system. This mistaken policy is carried to the point of assuming that a high turnover results from what is essentially under-buying¹.

The dangers of such a policy are obvious. It means, in many cases, that the retailer of men's apparel is falling down in his capacity as purchasing agent for the community: he is regularly "out" of many items that the customer desires, or his showing is inadequate, in models, in sizes, and in price ranges. The wholesale distributor has a just objection to this procedure. On the other hand, a policy of controlled buying based on a careful merchandise plan prevents the retailer from being under-purchased and from operating without sufficient mer-

chandise to satisfy his trade. This is the true use of hand-to-mouth or controlled buying.

In adapting distribution policies to our changing retail situation, many wholesale distributors have advocated concentrated buying. On the surface this appears to be a sales promotion plan, but, when carefully analyzed, it points to economies that can not be realized under a scattered buying program.

Concentrated Buying—The retailer who adopts the policy of concentrated buying confines his purchases to as few resources as is economically practical. This does not mean that the retailer necessarily buys his full requirements from one resource, but it does mean that he buys about 50% from one resource. The policy is not a new one and for some time has been urged, with varying degrees of emphasis, by wholesale distributors. The exclusive agency is, in effect, a form of concentrated buying. Wilson Brothers, of Chicago, have probably done more than any other one concern to educate the retailer to the economies of this form of buying. With the significant changes entering the field of merchandising, other concerns are now using this policy more strongly than ever.

Simplification of buying (to be later discussed) is concerned with the reduction of lines, prices, and styles. And concentrated buying is a part of simplification, since it, too, aims at the reduction of lines.

In order to make concentrated buying effective, all the principles of successful buying must be employed. It is especially necessary that unusual care be given to the selection of the merchandise resource.

For the most part, the advantages of concentrated buying are as follows:²

1. Concentrated buying makes for promptness in delivery, and dependability as to quality, workmanship, size, and price.

² Edward M. Skinner: *The ABC of Concentration*, pp. 7-8.

- 2 The merchant is able to do a larger volume of business on a smaller investment. A stock consisting of several brands must include complete scales and assortments of each to give service. The concentrator has but a single line to keep assorted.
- 3 His business, because of its volume, if for no other reason, becomes a more important item to the manufacturer with whom he concentrates, with the result that he receives better service.
- 4 He becomes a part of a nation-wide organization which has had long experience in studying the principles and policies of retail merchandising upon which his success depends.
- 5 He has fewer details to attend to when buying which gives him more time for selling. He inspects fewer lines and visits fewer houses on his buying trips with more satisfactory results.
- 6 His advertising becomes more effective because advertising that points out the definite specific talking points of a single brand is more economical, more cumulative, and more effective than that which is scattered over the varied selling points of several lines.
- 7 Buying concentration reduces credit difficulty. It is a well-known fact that a number of creditors holding small accounts are more anxious to force a retailer into reorganization or bankruptcy than one creditor carrying one large account. As a matter of fact, in the second case, the single creditor would probably endeavor to assist the retailer debtor out of his difficulty.

The disadvantages of concentrated buying rest mainly on the improper use of this form of buying, rather than on the principle itself. A retailer should not rely too exclusively upon one, or even upon a few, sources for his supply, as this may entail a loss in times of quick demand changes or of price changes. There is the danger of over-buying, which is, of course, true under any form of buying. Finally, relations are

apt to prove unsatisfactory, deliveries retarded or the account refused

In conclusion, the majority of retailers would do well to confine their purchases to fewer resources since the danger of over-concentration is not serious in the retail clothing trade

Summary — Buying is one of the most important activities in merchandising. The success of any store depends on its stocking goods that consumers want to buy. This is the problem of retail buying as it applies to the men's apparel trade.

In most retail clothing stores, buying is a non-specialized activity performed by the owner or one of his salesmen. Among the large-scale retailers, it is a specialized activity. The qualifications of the buyer and the duties performed are the same in either case.

The retail buyer has a number of resources open to him and he may utilize several methods in buying. The important thing is to adopt methods and select resources adapted to the store in question. For example, it is uneconomical for many small retailers to maintain market representation in one of the large centers. Their chief reliance must be on visits from salesmen. Similarly, primary and foreign sources may not be open to them.

The foundation stone of proper retail buying is the formulation of a buying plan based on the experience of the store. To be effective, this should be a part of a season's merchandise plan.

Scientific buying is buying what the store can actually sell. A specific buying plan merely exemplifies this statement in terms of the store's experience. Many retailers insist on buying in fifteen price ranges, when 90% of their business comes from three or four price ranges. Information available from stock control records would overcome this waste.

It is further necessary that buying be directed toward definite retail price and not made on the basis of wholesale prices.

Many retail clothiers err in having their purchases made entirely on wholesale price, instead of purchasing to fit the actual retail price demanded with due allowance for the proper markup.

The practice of hand-to-mouth buying is a desirable one if properly understood. Hand-to-mouth buying does not mean insufficient buying; it means *controlled* buying, and is the happy result of a scientific buying policy based upon interpretation of consumer demand.

Most retailers buy from too many resources. They would profit from concentration of their purchases with fewer concerns. Concentrated buying, however, involves great care in the selection of a resource.

CHAPTER 9

COOPERATIVE RETAIL BUYING

Cooperative retail buying,¹ or group buying, is the collective purchase of commodities by a group of retailers. It represents the effort of independent retailers (and some manufacturers of men's wear as well) to secure some of the quantity-buying advantages enjoyed by the chain store.

In the retail clothing and furnishings trade, group buying is an effective tendency rather than an important market fact. It is to be viewed more as a trend in distribution, but a trend which, in the opinion of many, offers enormous possibilities.

The material for the present chapter was recruited from definite primary sources. In the first place, it was ascertained, by means of a survey of wholesale distributors, the extent to which they were selling to group buying organizations. Second, a separate investigation brought out the actual selling experiences of these concerns in their dealings with cooperative buying groups. Particular note was made of such points as price policy, lines best adapted to cooperative buying, percentage of total annual sales volume going to cooperative buying organizations, motives in selling to group buying concerns, and economies effected by selling to group buying organizations. Next, important group buying organizations were surveyed as to their history and policies. Finally, retailers who purchase collectively gave their personal opinions of the values and defects of this form of buying.

In order that the problem of group buying may be more properly appreciated, a summary of the general economic facts

¹ For more complete discussion of general features of cooperative buying consult Kenneth Dameron *Harvard Business Review* July 1928, pp. 443-456.

bearing on the situation is presented, followed by a more detailed analysis based on the primary data outlined above. In order to simplify the analysis, the material is presented under the following subdivisions: (1) the economic background of cooperative retail buying, (2) development of cooperative buying organizations, (3) the cooperative retail buying of men's wear, (4) the retailer and cooperative buying, (5) the wholesale distributor and group buying, and (6) social aspects of cooperative retail buying.

The Economic Background of Cooperative Retail Buying

Cooperative or group buying has been a more or less active force in general retailing since 1888. It is only within the past decade that the cooperative purchasing of apparel goods has become prominent, the earlier cooperative efforts were confined almost solely to food staples. As soon as the element of fashion assumes importance, the factors dictating the trend of a group activity become complex. This complexity has been due, in part, to fundamental changes of production which date back to 1920 and 1921, in part, to the development of certain retail types which appear to possess a tremendous buying advantage, and, in part, to the shift to a consumer's market. Viewed in this light, cooperative buying is a reflex of our changing methods of distribution.

Many retail problems are, at present, receiving group treatment. Credit problems and methods of control have come in for a certain share of coalitional activity. Such important problems as alterations, return goods, the training of sales people, selling, and advertising are conspicuous examples of cooperative effort—cooperative advertising in particular. Standardization of sizes has been inspired, in part, by the activity of retail groups and manufacturing groups, with the cooperation of the Bureau of Standards. Cooperative buying is, in these respects, a part of a great, general cooperative trend in merchandising.

Production Conditions Aid Group Buying —The normal situation in a competitive industry, such as the men's apparel industry, is excessive plant capacity, at the present time exaggerated because of the abnormal development of the war period. Many such plants, in order to get a regularized production, are willing to sell at low prices to large buyers. In contrast to the sales and distributive policies in the producing apparel trade cooperative buying is an attempt on the part of retailers to take over the manufacturer's and wholesaler's selling organization. All the conditions in this industry tend to emphasize the advantages of this cooperative action. For, as an industry, it is characterized by decreasing costs, and in it the seasonal element and style factors are important, high pressure distribution is the rule, and over-capacity is the normal situation. And, finally, the apparel industry has tended to concentrate in large centers, thus making possible the establishment of a cooperative buying office. New York, with its proximity to Philadelphia, Rochester, and Baltimore, is an excellent example of the type of market sought by the group buying syndicates. Approximately eight hundred cooperative retail buying organizations have offices in this desirable center.²

Chain Stores Furnish Impetus to Cooperative Buying —The fact that conditions of production demand a mass outlet accounts, in many respects, for the emergence of certain retail types possessing large buying power. These, in turn, have forced other retail types to select cooperative activity as a competitive device. The chain store, department store, and mail order house are the principal sources of a competitive irritation that results in group buying. By many, indeed, this group or cooperative buying has been looked upon as the only means of meeting chain store competition.

There still remain, however, certain manufacturers, who, rather than sell to cooperative units, or undergo the hazards of

² This figure is at best an estimate, because so many old line resident buyers are now engaged in group buying.

selling to chain stores, prefer to control their own retail outlets. One manufacturer even suggests that this will be the inevitable outcome of all group buying.¹

A Consumer's Market Necessitates Better Buying—

Another factor that has given impetus to the group buying movement is the consumer's market. The consumer today is better informed as to prices, styles, and fashions. The availability of merchandise news and information is nation-wide. The popularity of the motion picture theater, ease of travel, widespread ability to read and write, and national advertising keep the consumer well abreast of the current merchandising situation. Consumer thought frequently outdistances store thought. Thus the selective function of the retail buyer becomes increasingly important, many group buying offices are of the opinion that this is their most important service. The foregoing factors, all of them earmarks of a consumer's market, foreshadow imperative and radical adjustments in buying methods. The apparel trade is peculiarly sensitive to the style whims of the consumer and the retailer has become rather a caterer to public wants than a mere distributor of goods. In such an unexpected position has the logic of modern merchandising led him. This logical development has been hastened by the recent changes in production, consumption, and retail distribution already presented. These changes, by placing a premium upon more effective business procedure, have led to a more extended application of the cooperative principle. Some outstanding group buying organizations, for instance, were organized primarily for research purposes, and their group purchases have been evolved therefrom as an efficient means of meeting the newer and more difficult distribution problems.

Most retailers merchandise at certain price intervals, that is, high-priced, medium-priced, and low-priced. Cooperative

¹ Statement of Paul Feiss of Joseph and Feiss before Tri State Convention of Retail Clothiers Atlantic City February 21 1928

buying in men's wear may come in just below the high-priced lines, but more often it centers around the low-priced lines. The objective here is to secure a large sale of an authentically styled, popular-priced line. In other cases, cooperative buying is utilized as a supplementary resource, the retail unit taking advantage of special price offers. It is the practice of one cooperative organization to send monthly to each store new style merchandise, popularly priced. This plan takes care of the individual retailer's problem of securing new merchandise continuously at no extra cost.

Although accurate data are lacking, it is estimated that from between 5% and 20% of member store purchases are made through cooperative channels. An executive of a department store that practices group buying suggests that as high as 25% of their merchandise might well be purchased through the group if proper cooperation were secured.*

Development of Cooperative Buying Organizations

Cooperative buying may originate within retail groups or it may be introduced to those groups by wholesale distributors. When so introduced, it becomes, in a sense, a sales promotion plan. Here we shall discuss it as a type of group buying.

Without going into the history of group buying schemes, five types may be mentioned. Many of these types overlap in their functions and many have developed to meet the distribution problem of a particular commodity. These five types are (1) the buying club, (2) the cooperative wholesaler, (3) the cooperative association, (4) the resident buyer group, and (5) the vendor tie-up.

The Buying Club—The buying club is the oldest form of group buying. It received its first serious trial in the grocery field. These buying clubs have no corporate existence. They

* *The American Economic Review* supplement March 1928 pp. 27-28. Discussion by Carl Schmalz on E. A. Filene's paper 'The Present Status and Future Prospects of Chains of Department Stores.'

merely represent an informal association of retailers for the purpose of buying staples in large lots, so as to receive the advantage of the quantity discount. This preferential discount worked no special hardship on the small merchant so long as the large buyers, mail order houses, department stores, chain stores, and the like, did not come into any considerable contact with the small dealer. But the evolution of retail competition brought the small dealer face to face with his buying disadvantage, and he has utilized group action as a means of meeting the new competition. Many successful buying clubs have later developed into the cooperative, wholesale type of organization.

The Cooperative Wholesaler—The fact noted above, that the type of cooperative organization is conditioned by the type of commodity, is further well illustrated in the cases of those cooperative wholesalers who are engaged in the two lines, drugs and hardware. The cooperative organization thus sponsored is a formal organization of retailers who constitute the stockholders of their own wholesale company. These associations operate in much the same manner as do any independently owned jobbing institution. Savings on purchases are estimated to be at least 5%, and another advantage accrues in the form of interest on investment. Group performance of the wholesaler's function, if efficiently performed, results in a cutting down of selling expenses and the saving of the independent wholesaler's net profit.

The Cooperative Association—In the field of style merchandising, however, the so-called cooperative association and the resident buyer group have proved of greater importance. Dry goods and department stores cooperatively purchasing style goods generally take the form of the cooperative association. This classification is not to be rigidly interpreted, as a similar type of organization may be found in other lines. Such dry goods and department store groups as the Associated Merchandising Corporation, for example, are to be classified under

'cooperative association' These associations are incorporated bodies, and the capital is furnished by the members.

Certain marked differences appear between this type and the form of organization found in the staple fields. In these fields, the cooperative associations generally have greater buying power. The buying strength of some of their member stores might compare favorably with that of the buying club or cooperative wholesaler. A second difference is to be found in the method of buying. In staple lines, the cooperatives purchase in much the same way as a regular wholesale house, whereas, in style lines, the element of selection calls for a quite different buying method, the various forms of which are discussed in detail in the following paragraphs.

The Resident Buyer Group—In form and practice the resident buyer group is similar to the cooperative association and it is difficult to draw a line of demarcation between them except to say that the latter is the outgrowth of established forms of market representation. The resident buying office has furnished a nucleus for a group organization. The common plan has been for the resident buyer to organize a corporation, the stockholders of which are the stores which he represents. The corporation selects a trade name, and this is placed on the garments bought by the group. This plan has also been utilized by the cooperative association, and at present about the only difference between them lies in their origin. The growing need for market representation prompted cooperatives to establish resident buying offices, and the possibilities of group buying, no doubt, led established resident buyers to take over cooperative purchasing. Certainly, in style lines, these are the two predominant forms of buying groups.

The Vendor Tie-up—The essence of the vendor tie-up plan is a contractual arrangement between vendor and retailer, whereby the retailer agrees to concentrate his buying with the vendor, and to subscribe financially to a joint sales promotion.

program. Among concerns which operate under this plan are Butler Brothers, Chicago, and Wilson Brothers, Chicago. The vendor tie-up plan is a good example of group buying that originates with the wholesale distributor. In the distribution of men's apparel it is a rather recent innovation.

A corollary to the above classification is to be found in a sub-classification of group buying associations based on control, that is, centralized versus decentralized control. Many group offices are now asking for a greater centralization of authority and more freedom from the whims of store buyers and the unwieldiness of committee systems. The resident buyer group has probably the more effective control.

The administration of these various types of cooperatives varies considerably, depending in part upon where and how the organization originated, and in part upon the size and type of participating stores. In some cases, a flat rate plus a fee prevails, in others, the straight fee is levied, based on size of store, and amount purchased through the group. Stylists and buyers maintained by the organization carry on most of the routine operation but are assisted, not infrequently, by the store buyers. The research work is, of course, performed by the central office.

Successful group buying is dependent on securing stores of similar size, type of trade, and financial strength. The association does not cooperatively underwrite the credit of member stores, rather, the member stores are in good credit position before their affiliation with the group.

Cooperative Retail Buying of Men's Wear

In the main, cooperative buying of men's apparel has come about, either as an outgrowth of some resident buying group, or through the definite organization of retail clothiers and furnisiers, into cooperative buying groups. Exemplifying the first type are the Affiliated Clothiers Inc. of New York City, one of the most successful buying organizations in the men's

wear field. The Associated Merchandise Corporation, The Dry Goods Alliance, The Dry Goods Union, and the American Retailers Incorporated are examples of other organizations that maintain resident buying offices and at the same time purchase cooperatively certain items of men's apparel.

There are probably only a few distinctly men's wear buying organizations. However, a large portion of buying for general department stores and men's wear stores includes group buying of men's apparel.⁸ The buying in this field is rather definitely controlled by the central office, and practically all items of men's apparel may be purchased cooperatively. In the Middle West, work clothing is a popular item, and in the eastern buying offices the items of suits and overcoats predominate.

More important than items purchased are the price ranges of these items. Most retail clothiers and furnishers cater to the various income groups by establishing several price ranges for the various items. Group buying of men's apparel is most widely used below the higher price range, and is most effective in the field of medium low-priced lines. After all, the great bulk of the clothing business is not done in high-grade, nationally advertised lines, but in medium and low-priced lines. Retailers buying cooperatively are urged to take care of the upper stratum of their business by maintaining individual accounts with some high-grade, nationally advertised line.

Buying Procedure—In initiating this new buying procedure, cooperative buying associations urge the member stores to buy independently for several seasons a line recommended by the group. If this is successfully done, the members as a group enter into bargaining negotiations with the manufac-

⁸ Among the important cooperative buying groups in men's wear trade are: The Affiliated Clothiers, Inc., New York City; Associated Retail Merchants of America, Inc., New York City; The Associated Stores of Norfolk, Nebr.; The United Clothing Buyers, Inc., Decatur, Ind.; National Syndicated Stores, Cincinnati, Ohio; Central States Department Stores, Chicago; National Merchants Buying Bureau, New York City; M. W. Skorish, St. Paul, Minn.; George E. Johnson, Chicago; Men's Wear Association of the Northwest Side, Chicago; American Buying Corporation, Chicago; Northwest Buyers & Jobbers, Inc., St. Paul, Minn.; Big Ten Clothiers, Indianapolis, Iowa; United National Clothiers, Chicago.

turer, and, in return for the assurance of a steady distribution, they ask for certain price concessions. In furnishings, foreign sources are sought, and large volume purchases are effected through the combined buying strength of the member stores. In the buying of suits, an alternative of the "try-out" method is found in an agreement on the part of the member stores to take over the entire output of a plant.

Another group buying practice is the acceptance, by agreement on the part of the member stores, of a monthly quota of new merchandise. This merchandise is generally sold with a special price appeal, or as presenting some new style feature.

Some manufacturers of nationally known products, although willing to grant price concessions, do not permit their product to be sold below the normal resale price. In many cases they even request the cooperating stores to carry their full line in return for the buying advantage.

Marked savings are reported in the buying of such lines as clothing, hosiery, ties, handkerchiefs, and work clothing. Member stores operating on a sound basis report savings of from 5% to 50% in these lines. The stores reporting these savings are all establishments with excellent systems of merchandise control and with full knowledge of their costs.

Apart from procedure in buying, other facts were discovered in the survey of cooperative buying organizations. The membership of the various groups varies from around 20 to 700 retailers, the majority of groups reported membership of from 200 to 300 concerns. It is, therefore, reasonable to assume that between 8,000 and 10,000 stores are engaged in some form of group buying of men's apparel.

Some of these organizations engage in publicity campaigns for the benefit of members of the group. A men's wear buying organization of Chicago put on a campaign to acquaint the public with the buying power of the organization. The campaign took the form of local advertising with member stores. Display ads outlining the advantages enjoyed by members, as

well as direct-by-mail letters, were used. The cooperative advertising campaign for the 158 member stores of the Northwest Buyers and Jobbers, Incorporated, was similarly inaugurated in the October, 1928, meeting at St. Paul. This group engages in cooperative buying of men's and boys' clothing, furnishings, hats, caps, shoes, rubber footwear, and work clothing.

Problems of the Group Buying Office—The operation of a group buying organization is not without its difficulties. These difficulties may be epitomized in the problems of the cooperative buying office. The cooperative agency receives the objections of both the retail members and the producers. One difficulty is getting member stores to purchase more extensively through the group. This is an important problem because, in a sense, the future success of group buying may be determined by the amount of goods bought. It is also difficult to get the retailers or their buyers to attend the buying conventions announced for stated intervals.

In actual operation, the buying association is sometimes cumbersome. It is handicapped because of division of opinion, and the fact that too many have to be consulted before operations can begin. Attempts to use buyers' committees to aid the staff in market research have proved ineffective. This implies a lack of cooperation on the part of members, which, coupled with the frequent opposition of manufacturers, offers a serious difficulty to the efficient operation of a buying association. In many instances, buyers cannot enter into group buying if deliveries are to be made in the future, for the reason that it ties up their "open-to-buy", and in other cases, interested buyers come to group sessions but cannot buy because their limit has been reached.

The necessity of selling the idea of cooperative buying to buyers and merchandise managers has been an important difficulty, and certainly compulsory cooperation is not a workable

plan Buyers who are also managers of departments object to changes in brand when a new brand is offered, and, in conversation with representatives of resources, disparage the idea of group buying Buyers with such a psychological endowment do not give offerings presented through the group sufficient consideration The implications of these facts are that more authority should be given to the group office, that more merchandise should be purchased through the group, that member stores should have like interests, and that the range of their respective volumes of business should be fairly uniform

The Retailer and Cooperative Buying

Many of the advantages of group buying to the retailer are those that come through market representation The important difference is that the expected savings of group buying are more than enough to cover the cost of the association, and at the same time give the retailer the dual advantages of market representation and quantity buying The specific advantages of cooperative buying to the retailer and retail buyer may be grouped under improved buying, competitive advantages, and advantageous by-products

Improved Buying—First of all, there is a marked saving of the buyer's time in the market As with consumer shopping, so retail buying is a tiresome procedure, and much faulty buying results from inability to visit and weigh the offerings of the various resources Under the cooperative plan the market is scoured in advance, and the showings of many producers can be immediately compared Buying with the group insures better buying judgment, and also the advantage of impersonal buying Where member stores have like interests and cover a sufficiently wide territory, group opinion is likely to be a fairly accurate judgment of consumer preferences

A further buying advantage is realized when high-grade manufacturers, who would not be interested in catering to the

single account, are induced to show their lines. Likewise, cooperative purchasing makes possible operations in foreign markets, many of the larger groups maintain foreign offices. Men's sport accessories, hosiery, and shirts are frequently bought through the foreign office. The cooperative association, through its information as to many merchandise sources and through its active work with member stores, is in a position to become an important factor in planned and controlled buying.

A final buying advantage is that of buying to a fixed standard of quality. The group sets up a certain standard which becomes the buying objective. This maintenance of standard has been tested in such lines as hosiery and work clothing.

Competitive Advantages—Competitive advantages are corollaries of improved and centralized buying. The independents, sensing the strategic power of chain systems in quantity buying, have organized for cooperative buying in order to improve their competitive position. That this is one of the biggest advantages is verified by the fact that wholesale distributors have encouraged, to some extent, group buying as an aid to the independent store in its competitive struggle with the chain. Price concessions are thus obtained, commensurate with the economies which the wholesale distributor realizes in selling to the group. As will be shown in a subsequent paragraph, wholesale distributors report marked savings in selling to such retail buying groups. Based on the assumptions implied in the factors named, the fact emerges that cooperative buying improves the competitive position of certain types of stores.

Savings of from 5% to 50% have accrued through group buying. From this, however, must be deducted the expenses of membership and of maintenance of the association, such variable factors that the net saving is, at best, an intelligent

guess. However, a saving of 5% is an important factor in successful retail competition.

Many stores utilize their group connection as a part of their advertising and sales promotion. "Hundred Store Buying Power" becomes a popular slogan. A somewhat more general competitive advantage is the securing of latest styles at favorable prices. Permanent market representation should give up-to-date styles, and group purchases should secure them at favorable prices.

Consumer acceptance of merchandise purchased cooperatively may be measured by the extent of markdowns that are taken on merchandise. One of the main causes for markdowns in men's apparel is the faulty selection of goods. Markdowns have a very positive effect on profits, and these, in turn, on the competitive position of the store. Retail clothiers, purchasing through the group, report fewer markdowns on goods so purchased. This may be due to the fact that cooperative buying of men's apparel tends to concentrate on lower price levels, or that considerable group buying may be in the form of "leaders," on which markdowns are seldom taken. For example, one group features negligee shirts to retail at \$1.95 and overalls to retail at \$1.29.

By-Products of Group Buying—The advantageous by-products of cooperative buying are sometimes termed the intangible advantages. The periodic pooling of ideas and experiences in the selection of goods is an important item. Although the main function of the cooperative association is buying, the interchange of business statistics and the development of retail research are valuable factors carried out through the agency of group buying. Further, cooperative buying leaves to each store its independent and individual management, but unites them all in the important function of buying. All the values of store individuality plus mass buying power are thus retained—an advantage not possible for the chain store.

Disadvantages—In presenting an unbiased picture of cooperative buying, the negative side must be recognized. The retailers entering into such a group buying plan as the "vendor tie-up" are confronted with certain obstacles. They may be indebted to other vendors, they may have exclusive agencies which they are reluctant to give up, their customers may not be willing to accept the new brands featured.

Further, group buying presupposes a certain standardization of consumption in apparel which, in the opinion of many, does not exist. It is claimed that store buying is done largely for a specific community, and that to pool orders with a group is contrary to the best interests of the individual store. This objection is, in a sense, opposed to the basic idea of mass production, and places too much weight on community differences. Likewise, it is claimed that in medium and low-priced lines the styles selected are designed to appeal to popular taste.

Another buying disadvantage is the individual buyer's sacrifice of what he considers his position in the market. He has built up certain contacts, and feels that affiliation with the group will rob him of them. In many cases, the buyer is also manager of his department, and is loath to push the sale of goods purchased cooperatively. For this reason, some groups prefer to deal only with stores whose owners themselves do most of the buying. This difficulty of selling the cooperative idea to their buyers, is a serious handicap to retailers who are themselves favorable to cooperative buying.

Group buying, especially when done on the committee basis, is apt to be rather cumbersome and productive of much dissatisfaction. Cooperative associations are constantly seeking a greater centralized authority. At present, centralized buying holds generally in the strictly men's apparel buying groups. It is still a problem, however, and will have to be reckoned with in the future development of group buying.

A second group of objections centers around the competi-

tive situation. An important element in retail competition is store personality. A large amount of group buying would tend to give the store much the same atmosphere as that of a chain store. While this objection is valid, it may be argued that, when only 5% to 25% of goods are bought through the group, the store personality could easily be maintained.

Somewhat of a paradox is the fact that group buying is suggested as a competitive weapon for the small store, and yet, in many cases, the small store can not afford it. Many group offices suggest that a store's volume of business should reach \$200,000 per year before the store can afford the economies of cooperative buying.

As a further disadvantage, it is stated that the trade-mark of a cooperative organization means nothing in style goods. This is certainly true, in so far as the business of a store is admittedly built up on nationally advertised lines. But it must be recalled that, (1) many group organizations urge their clientele to maintain their connection with some nationally advertised brand, (2) in the main, the bulk of clothing sold is not that of the national advertiser. Group buying organizations may develop trade names acceptable to the consumer. Frequently the consumer is not informed in national advertising as to who makes the commodity—it is the name that interests him.

Finally, the clamor for price concessions is not necessarily a good thing for the retail trade. In response thereto, the manufacturer is often inclined to dilute the product, so that price concessions frequently result in cheap merchandise. The net result is a trading-down effect in the industry and unhealthy consumer-retailer relations.

Cooperative buying is not only a matter of consideration for the retailer, but it exerts far-reaching influences upon the wholesale distributor. It affects the wholesale distributor, not only as a manufacturer, but also as a distributor. As a

manufacturer he is interested in regularizing production, and as a distributor he is anxious to maintain a steady volume of business. He has even gone so far as to originate group buying plans himself.

The Wholesale Distributor and Group Buying

Varied has been the comment of wholesale distributors on the subject of group buying. Experiences vary all the way from actual organization of group buying units by wholesale distributors to unreserved condemnation of this scheme of buying.

At the outset, the question may be raised, do well-known and high-grade concerns sell to retail buying groups? The answer is emphatically, yes. Some 50 of the well-established wholesale distributors of men's apparel were queried on this point. Eighteen replied that they sold to group buying organizations. A further check-up was made through a credit inquiry, to which a hundred representative manufacturers of men's clothing and furnishings responded. A considerable number of these stated that they deviated from their customary discounts when selling to group buying organizations. The investigation was completed by obtaining the individual experiences of these concerns in selling to cooperative buying organizations.

Motives in Selling to Buying Groups—The main motives behind selling to group buying organizations are listed below, in the order of their importance.

- 1 To secure more business
- 2 To aid the independent retailer in meeting chain store competition
- 3 To regularize production and thus reduce cost
- 4 Security of outlet for a fairly large quantity of merchandise
- 5 Miscellaneous reasons, hinging on reduction of selling expenses and reduction of loss from bad debts

Savings Result from Business with Group Buyers—It would be interesting to present a comparison of costs between a typical group buying organization and a typical wholesale distributing organization. Unfortunately, such data are lacking, but some idea may be obtained from the savings which manufacturers and wholesalers report in selling to group buying organizations in men's apparel field. Definite savings were reported in the following expense divisions:

Expense Division	Savings Per Cent
Selling expense	5
Shipping expense	3½
Buying and office expense	2
Losses from bad debts	Less than ½ of 1%
Handling large lots	2½

Many of these concerns have been selling to group buying organizations for from three to twenty years.

That group buying is a definite operation with these wholesale distributors, is proved by the percentage of their annual volume of business which goes to group buying organizations. On an average, 26% of their total annual sales volume is accounted for in sales to group buying organizations. The variation per cent of total sales is from 10% to 50%. This wide variation, taken from a fairly small number of cases, indicates that perhaps the arithmetic average is somewhat higher than the actual situation calls for. Assuming that only 20% of total annual sales go to group buying organizations, a fairly strong case for group buying is established.

Other interesting facts were brought out in the survey of the wholesale distributor's experience with retail cooperative buying. For instance two concerns attempt to maintain a resale price when selling to cooperative organizations, and one wholesale distributor maintains exclusive agency agreements with members of the buying organization. There are, no doubt, other concerns having similar arrangements which were not reported in this survey.

Advantages to Wholesaler—Aside from the advantages noted above, manufacturers and wholesalers state that selling to buying groups gives them a wider market at lower selling expense. In many cases, selling to the cooperative association is prompted by the desire either to get a wide distribution, or perhaps to introduce their products in a section where they are at present unknown. Selling costs are lowered because their lines can be shown to many store buyers at a single showing. The manufacturer, in selling through the association, is able more quickly to get an idea as to which numbers in his line are likely to appeal to the consumer.

To both the retailer and manufacturer there are definite advantages in selling on an impersonal basis. The sale is made on the basis of the merit of the commodity.

It has been pointed out that conditions in the field of production are causal factors in making group buying possible. The wider the market the more it is possible to practice economies in the productive process. This is emphatically true when large advance orders are placed and some assurance of steady volume demand is given. Group buying associations frequently take over the entire output of mills, in other cases, they may take over output during slack times. This is important, as the men's wear industry is an industry of decreasing costs. In the case of the knitwear industry, where fixed costs amount to about three-fourths of total costs, some of the largest and best known manufacturers sell to large buying syndicates. Besides these specific productive advantages, there are also the broad social advantages that result from regularized production, and which, in their personal aspect, contribute so deeply to the welfare of human society.

Cooperative buying, in so far as it functions as the sales outlet of the producer, leaves him free to concentrate on the productive process. This ability to concentrate becomes increasingly important as the group begins to set up a certain standard of quality.

Manufacturers and wholesalers have had varied experiences with group organizations. Speaking generally, their relations with the group have resulted in increased sales. Many outstanding cooperative associations have the policy, not only of buying cooperatively one line through the group, but also of urging their members to become regular customers of the same producer in his other lines. Frequently the contract between cooperative office and producer stipulates that the stores will carry the manufacturer's full line, in much the same manner as an exclusive agency agreement. Thus, through the group, the manufacturer gets new contacts which bring him additional business in his regular lines. Finally, if cooperative buying makes for improved buying, it may be said that goods properly bought make for continued relations.

Disadvantages—Any change which at the outset appears radical is apt to meet with criticism and opposition, and group buying is no exception. There are on record many criticisms and aggrieved complaints from wholesalers and manufacturers. Suggestive of the attitude taken is the idea that wholesalers should effect a selling merger in order to combat cooperative retail buying. The case is cited of six firms, each selling the same line of goods but at different prices, that combined their selling efforts in one central office. They reduced the number of their salesmen by about one-tenth, and what was more important, they found it easier to bargain as a group with the buying syndicate than to bargain as six individual concerns. This selling combine achieved huge savings in the purchase of office supplies and raw materials from the manufacturer (Undoubtedly, they appreciated the advantage of group buying!) This criticism of group buying evidently is a result of the recognition of a loss of bargaining strength. On the other hand, criticisms may savor of the dissatisfaction that resulted when the wholesaler and chain store, after having acted for some time as the manufacturer's distributing agencies, either

left him or developed their own brands, or they may be the result of some unfortunate trade experience which group strength magnified. Whatever may be the source, opposition exists.

Producers claim that group buying offers a paradox of economy. They are asked to sell to the group in large quantities, but are forced to bear the expense of assembling, packing, and shipping to from 10 to 150 stores. Others insist that group offices do not place large regular orders but merely shop the market. For this reason, one executive states that standard lines from reputable, nationally known houses are not distributed through these buying groups. Again, some manufacturers prefer to show their merchandise in their own salesrooms or through their road salesmen. The intimate contact with the purchaser, they hold, is important, because it gives them first-hand information on credit and market conditions.

In the "vendor tie-up" plan, the wholesale distributor is at a disadvantage because he does not exercise complete control over the units. Further, it is difficult to transform inefficient merchants into efficient ones through the mere using of a plan. Their stores may be poorly located, and they may be operating without system, etc.

Economies in the productive process have been mentioned. But if the buying agency is not a source of regular business or a factor in future business, these economies must be minimized. It is true that many retailers use the group connection for only one or two lines, or when they are doubtful about securing goods from regular resources. Yet it may be fairly stated, that the better group offices line up preferred resources and place with them future business. Heavy price concessions, it is said, force the vendor to use cheaper materials. This of course is unfortunate, and group offices of a type that attempts to assert unfairly its bargaining strength are not a wholesome influence in the industry. The vendor, whether he be a regu-

lar line manufacturer or a wholesaler, is not anxious to assume the role of a mere contractor for the retailer

Style piracy, although less important in men's wear than in women's wear, has occupied attention for some time, and the statement is now being made that the group buying office offers an easy agency for the copying of designs. However, it is to be remembered that this trade evil existed in full force before group buying had become an outstanding method of purchase

Social Aspects of Cooperative Retail Buying

The socio-merchandising aspects of cooperative buying may be presented as trade practices, legal status, and the position of the consumer. The trade practices have already been implied—namely, unfair use of bargaining power and the possibility of style piracy. As just stated, these situations existed before the emergence of group buying, and it is a question whether group buying accentuates them.

The legal status of group buying has not, as yet, been thoroughly tested. In the Mennen Talcum Powder case, the court held that the Mennen company was not obliged to sell on the same terms to cooperatives as to other quantity accounts, such as chain stores and department stores.²

A decision of far-reaching importance, and an interpretation of the Clayton Act as well, was recently handed down by the United States Supreme Court in the case of *George Van Camp & Sons Company v. American Can Company*. This decision held that the act applies to cases of price discrimination, the effect of which is to reduce competition, not in the field of the discriminator but in the line of the buyer. Previous decisions of the court had dealt only with price discrimination, unfair competition, or monopolistic practice in the same line, that is, where the practice of the seller hurt another seller

¹ Federal Trade Commission Case Docket 606 *The Mennen Company*. (1) Complaint, Findings and Order and Copy of Court Decision, (2) *Mennen Case*—Local Court 288 Federal 774.

left him or developed their own brands, or they may be the result of some unfortunate trade experience which group strength magnified. Whatever may be the source, opposition exists.

Producers claim that group buying offers a paradox of economy. They are asked to sell to the group in large quantities, but are forced to bear the expense of assembling, packing, and shipping to from 10 to 150 stores. Others insist that group offices do not place large regular orders but merely shop the market. For this reason, one executive states that standard lines from reputable, nationally known houses are not distributed through these buying groups. Again, some manufacturers prefer to show their merchandise in their own salesrooms or through their road salesmen. The intimate contact with the purchaser, they hold, is important, because it gives them first-hand information on credit and market conditions.

In the "vendor tie-up" plan, the wholesale distributor is at a disadvantage because he does not exercise complete control over the units. Further, it is difficult to transform inefficient merchants into efficient ones through the mere using of a plan. Their stores may be poorly located, and they may be operating without system, etc.

Economies in the productive process have been mentioned. But if the buying agency is not a source of regular business or a factor in future business, these economies must be minimized. It is true that many retailers use the group connection for only one or two lines, or when they are doubtful about securing goods from regular resources. Yet it may be fairly stated, that the better group offices line up preferred resources and place with them future business. Heavy price concessions, it is said, force the vendor to use cheaper materials. This of course is unfortunate, and group offices of a type that attempts to assert unfairly its bargaining strength are not a wholesome influence in the industry. The vendor, whether he be a regu-

lar line manufacturer or a wholesaler, is not anxious to assume the role of a mere contractor for the retailer

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⁶ Federal Trade Commission Case Docket 606 *The Mennen Company*. (1) Complaint, Findings and Order and Copy of Court Decision. (2) *Mennen Case*—Local Court 288, Federal 774.

The new edict apparently permits a buyer to institute action against a seller who gives better terms, on identical goods, to a competing buyer. The ruling was at once hailed by chain store opponents and others, who construed it as stopping manufacturers from granting concessions or rebates to favored buyers. This interpretation of the law may make it easier for combines of independent stores to buy at chain prices, something that has been discouraged by many manufacturers.

Another investigation of cooperative buying by independent retailers and chain stores is being conducted by the U. S. Department of Justice in order to determine whether such buying is a violation of the Sherman Anti-Trust Act. This investigation was instituted as a result of representations made by certain manufacturers, who allege that group buying by distributors has had a harmful effect on their business. Legal proceedings are not contemplated at present, this buying method is under investigation merely to determine its legality. The Department agents have centered their attention on a survey of the nature and extent of group buying in the New York area. If such buying has the effect of ousting the manufacturer from his actual place in business, there should be some question as to its legality.

Before summarizing our discussion of group buying and commenting upon its future, it may be well to estimate the total purchases of men's apparel made through this form of buying. The following estimate was arrived at by considering the average volume of retail stores purchasing cooperatively, estimating the percentage of their total purchases through the group, and associating this figure with the estimate of total sales of wholesale distributors selling to group buying organizations and with an estimate of the percentage of their total sales made to cooperative buying organizations. On these assumptions, it is reasonable to assume that group purchases in men's apparel trade total forty million dollars per year.

This estimate is made, exclusive of the numerous items of men's apparel purchased cooperatively through distinctly dry goods or department store organizations

Summary—Group buying has been shown to be a reflex of conditions in production, consumption, and retail distribution. Purchasing cooperatively has resulted in certain well-defined advantages to both producer and retailer. On the other hand, violent opposition has come from these same sources. The test of the effectiveness of group buying must necessarily be an empirical one, that is, certain producers and retailers have admittedly derived great economies from this buying method. Others have had unfortunate experiences. As a possible method of purchase cooperative buying is open to many improvements, and its effectiveness can no doubt be increased. (In essence, group buying has been an attempt on the part of the retailer to take over the manufacturer's selling organization. As a current buying method, it has been used in supplementary fashion with other policies of buying.)

Several courses of action may result and are in the process of resulting, from group buying. There is, first, the organization of retail stores into buying groups with centralized buying, or the consolidation of retail units into chains with centralized management. In retaliation for this procedure has come the extensive development of manufacturer-owned and controlled stores, a line of development well advanced in the men's wear field. From another viewpoint, the control of production may pass to the retail combinations, and the principle of the division of labor may be extended to the point where production will be carried on exclusively by manufacturers, while selling will be carried on exclusively by retail combinations. A more immediate course of action is the utilization of cooperative buying as merely a supplementary form of buying, which at best, is adapted only to certain lines and to particular ranges within these lines.

Business institutions are more or less reactionary to change, especially when that change implies the passing of control. Group buying in the apparel trade is yet in the experimental state. Given time to iron out certain difficulties that have been presented in this chapter, it is capable of a development that will make it possible for group buying to meet conditions in production, changes in retail competition, and the growing significance of consumer demand.

CHAPTER 10

RETAIL PRICES AND PRICE POLICY

Profits in men's wear stores are largely determined by the selling price and the rate of turnover. Adjustment of these two factors is one of the difficult problems of retailing.

To the retailer the markup is his initial attempt to secure a price that will yield a profit. Goods may not move at the price first marked, so markdowns must be taken. These markdowns may have the temporary effect of speeding turnover, but too many markdowns generally indicate an unhealthy state of affairs.

Back of the mechanics of retail prices lie certain fundamental forces which characterize retail prices in general. Sometimes the individual retailer is unconscious of these forces but an understanding of them is desirable.

The terms of sale, that is, for cash or credit, are an aspect of pricing. To be sure, credit is also used as a means of sales promotion, but it is more properly a part of the price policy.

The present chapter will discuss (1) markup, (2) markdown, (3) the economics of retail prices, and (4) credit.

Markup

Markup is the amount added to the cost of merchandise to cover operating expenses and provide a profit. It thus presents two aspects: (1) the total cost of doing business, and (2) net profit. Markup is sometimes inaccurately referred to as gross profit. Gross profit, however, is the difference between the cost of goods sold and the markup price obtained.

Initial markup is the term used to indicate the margin originally set between cost and selling price. All goods are not sold at the initial markup, and the difference between the cost price and the actual selling price is known as the maintained markup. It is important that the maintained markup be sufficient to include the necessary expenses and an element of profit. The retailer often refers to his store markup as some established figure, for example, 35. But it is important to note that markups vary according to the item and the department. What the retailer means is that his markups throughout the store will average 35%.

Figuring Markup—In making the price, it is always essential to remember that three elements must be included: (1) the cost of the product, (2) the cost of selling and overhead expenses, and (3) the margin of profit desired. Markup can be figured either as a percentage of cost or as a percentage of selling price. It is important that the percentages of cost of doing business, net profit, and markup be figured on the same base. It is more accurate to figure markup as a percentage of selling price, for obvious reasons: (1) neither margin nor profit is made until the sale is made, (2) markdowns are figured on selling price, and (3) sales totals are the most easily available figures as a basis for assessment of taxes, and by using the selling price percentage, it is easier to make allowance for them.

The basic items in the determination of markups are total expenses and desired profits. With this in mind, a simple plan for figuring markup is as follows:

- Given: Average stock-turn—4 times, or every 3 months
Average cost of doing business—18%
Find: Selling costs
Carrying costs—3 times 2%, or 6% (2% a month for 3 months)
Selling costs—18% minus 6%, or 12%

With the known selling cost of 12%, markups on individual lines may be figured. Take hosiery, with a stock-turn of 12 times a year, which means that it turns once a month. Two per cent for one month plus selling charges of 12% calls for a margin of 14%. This does not include any allowance for loss. If experience has shown that 2% is sufficient for loss, then the margin must be increased to 16%. Assume that a 5% profit is desired and the total margin required to include expenses and provide a profit is 21%. If a margin of 21% is necessary, then cost must be 79%, since selling price is always 100%. Divide the cost of the article by 79, add two ciphers, and you have the correct selling price. To facilitate markups, tables are prepared, which enable the retailer to ascertain quickly the correct selling price, when he knows the cost of the goods and the percentages of cost of doing business, and profits figured on the basis of the sale.

Not only do such basic facts as cost of doing business, desired profit, and cost of goods govern markup, but the factors of turnover, style and seasonal changes the establishment of price lines, and competition also influence markup. Turnover, as will be shown in a subsequent paragraph, varies with the department and the item. Where the turnover is large, a lower markup is possible. In a related fashion, pricing is experimental as a rapid turnover may follow from the establishment of prices and price intervals which cause goods to sell more rapidly.

Style and seasonal changes introduce an element of risk that should be accounted for in the markup. Retail clothiers who would be assured of a satisfactory profit would do well to set the original markup some 5% higher than actual estimate in order to allow for inevitable markdowns that follow style and seasonal changes. That is, the maintained markup should be high enough to yield a profit.

Some stores operate on established price ranges, and goods are marked up to these price intervals. The establishment of

these price intervals is determined through experience, and price intervals are so designed as to make the necessary adjustment between prices and turnover

Competition with other clothiers probably influences all markups. Customers quickly detect price differences between stores and the retailer is forced to gage his markup with respect to prices in competing stores. Should he be forced to lower markups, profits must be secured through reduction of expenses and more skilful merchandising.

Markup Estimates—Because of the many variations in figuring markups and the differences in expense of doing business, plus local factors, markup estimates as general statements are of little value. However, when compared with average costs of doing business and turnover, they may indicate to the individual retailer that his markup is not sufficiently high. Some markup figures have been collected, all based on selling price. For example, in chain stores, markups ranging from 30% to 36% are secured. On the whole, markups in independent clothing stores are somewhat higher, ranging from 33 $\frac{1}{3}$ % to 40%. The initial markup should be from 40% to 42% of selling price, because the average shrinkage from markdowns is 5%.

Increasing competition is forcing retail clothiers and furnishers to give more attention to the problem of maintaining an adequate markup, and particularly to the correction of such practices as figuring markup in one way and net profit and the cost of doing business in another. Business experience has dictated the necessity of maintaining throughout the store a higher markup than the actual estimated figure comes to.

The retailer's initial problem in pricing is the markup. But he is not always able to sell at the original markup, and must resort to the markdown. The markdown is also a part of the pricing process and must receive our attention. Our discussion of markdowns is based on actual figures secured

from over 200 retail clothing stores. These figures, fortunately for our purpose, were kept in such a fashion by these stores as to make comparison between them possible. For analytical purposes, the stores were classified on the basis of annual sales volume as indicated in Table 7 (page 235).

Markdown

In items where style and the seasonal element predominate, the problem of markdowns is especially important. The lack of record-keeping in retail clothing stores makes it difficult to secure adequate information on markdowns. Various studies have been made of markdowns in department stores, where the system of records is more nearly adequate, and the figures therefore more accessible. We were fortunate enough, however, to secure considerable information in our investigation of markdowns in retail clothing stores.

Markdowns are reductions from the original retail prices of the merchandise. Most items of men's apparel are marked up with the idea in mind that a markdown later in the season will be necessary. For the purpose of estimating probable future markdowns, markdown records should be kept in the form of percentage of markdowns to sales. The retailer should keep a record of the markdowns in dollars for a definite period of time, and also of sales in dollars for the same period. Dividing the markdown total by the sales total will give the markdown percentage. The figures in this survey are expressed in terms of the markdown percentage.

Markdown Control—Until recently, there has been no effort to control re-marking. Some attempt should be made, especially to keep records of the amount of markdowns taken and to plan the amount of markdowns that should be taken each month or season. A markdown record is very helpful in determining whether the markdowns were unnecessarily large or whether they were taken at the proper time. A second

reason for the control of markdowns is that there may be maintained a perpetual record of the retail value of the stock on hand. A third reason is the avoidance of misuse of price tickets. In the larger stores, where salespeople are allowed to make changes in retail prices, mistakes will occur which may increase the amount of shortages, unless some sort of control is maintained.

As to method of markdown control, much depends upon the size and type of the store. Obviously, the department store and chain store must employ a somewhat more elaborate method than the smaller unit store. For most unit stores a simple markdown slip such as the one below is sufficient. Larger stores require a more elaborate markdown sheet, like the one here shown.

No.		MARKUP OR MARKDOWN SLIP				
DEPARTMENT		DATE		19		
National Ass'n of Retail Clothiers & Furnishers—Form 17						
Lot No.	Quantity	DESCRIPTION	Old Retail Price	New Retail Price	Reduction per Item	Total Markup or Down

How to Indicate Markdowns—There seems to be no unanimity of opinion as to whether to attach new tickets in the case of markdowns or to indicate the new price on the existing price tickets. From the standpoint of control and appearance, it is advisable to use new tickets. When the original tickets are used and the new price written on them, it is easy for the buyer to report markdowns that have been made necessary because of mistakes, and for salespeople to mark down goods to suit themselves. Still, it may take more time to make out new tickets than can be spared, and customers like to see the original price on the ticket when they make a purchase. If the original price is on the ticket, whether the new or the original one, it is advisable to have a heavily colored line drawn through it.

Reasons for Markdowns—In ascertaining reasons for markdowns in retail clothing stores, information was received from 366 stores. These stores ranged in size from those with an annual sales volume of \$50,000 per year to stores with an annual sales volume of over one million dollars per year. The principal reasons for markdowns in these stores are given in the order of their importance.

- 1 Style depreciation
- 2 Unseasonable
- 3 Soilage
- 4 Broken assortment
- 5 Overbuying
- 6 Price too high
- 7 Consolidation of price lines
- 8 Special sales
- 9 Competition
- 10 Discontinued lines
- 11 Personnel causes

A study of these reasons for markdowns brings out ways in which markdowns may be eliminated or at least kept at a minimum. In the survey referred to above, retailers were asked to state the methods that they used in minimizing markdowns. The most fundamental plan recommended was that of a proper stock control. Other plans frequently mentioned were "more careful buying" and "concentration on fewer price lines." Obviously, a budget and control plan should result in more careful buying. Likewise, the sales analysis, which should accompany merchandise control, will indicate what price lines are moving in the particular community. This same idea could be applied within certain limits to the problem of what styles and models to carry. Finally, it is becoming increasingly evident that many markdowns are directly traceable to the personnel. The extent of this particular cause is difficult to determine, however, it indicates that careful train-

ing of the sales force is a necessary factor in the elimination of markdowns

In the men's clothing trade, markdowns appear to concentrate according to the selling season, past experience should, therefore, govern the distribution of markdowns in the various departments. With this information at hand, it is possible for stores with a fairly large volume of business to work out a markdown distribution schedule

Markdowns by Departments—As indicated in an earlier paragraph, markdowns are expressed as a percentage to sales. Table 7 gives the markdown percentages by major departments.

It is to be noted that markdowns seem to run fairly high in the smaller stores and rather low in the larger stores, although the highest general average is found in stores doing an annual volume of \$500,000 to \$999,999 per year. With but one exception, markdowns are uniformly highest in men's clothing and lowest in work clothing.

The small store is inclined to minimize the merchandising problem of markdowns. But it is urged ¹

- 1 That markdowns should be considered in figuring markup
- 2 A record of all markdowns should be kept for purposes of control
- 3 Markdowns should be taken only for some specific purpose and should be made to conform to the requirements necessary to accomplish this purpose

How to do away with the necessity of markdowns is one of the problems of progressive retailing. Markdown reduction is more than a matter of pricing, it involves all phases of merchandising. It is closely related to stock turnover, which again is an inter-acting factor on prices. A high rate of turnover makes possible a smaller markup and fewer markdowns.

Discussion has thus far centered on those features of pricing most familiar to the retailer. In everyday experience,

¹Trev and Nystrom, *Merchandise Control* p. 147

TABLE 7 ARITHMETIC AVERAGE OF MARKDOWNS BY DEPARTMENTS
(Classification of Retail Clothing Stores Based on Annual Sales Volume)

Departments	Group I \$50 000-\$99 999 Average High Low	Group II \$100 000-\$249 999 Average High Low	Group III \$250 000-\$499 999 Average High Low	Group IV \$500 000-\$999 999 Average High Low	Group V \$1 000 000 and Over Average High Low
Men's Clothing	6 25 11 1 6	5 21 9 9 2 5	6 58 11 2	5 36 8 4	2 61 5 9 2
Boys' Clothing	5 63 11 7 1	4 62 7 7 1 5	3 45 6 1 5	6 82 9 4 3	2 9 5 5 2 5
Hats and Caps	2 62 9 1	3 41 10 1 1	4 6 6 5 1 5	4 92 7 4 2 6	1 96 3 1 1 5
Men's Furnishings	3 43 6 6 1 8	4 2 9 1 2	4 4 7 7 3 2	4 42 7 1	1 56 2 2 1 5
Boys' Furnishings	4 75 9 7 1 6	3 35 6 1 3	2 23 3 7 1	4 9 9 2 7	2 4 4 5
Work Clothes	2 31 5 1 5	3 74 7 8 1	4 4 4 4 4	5 21	2 5
All Departments	4 06	4 15			2 18

the retailer is dealing with markups, markdowns, and the relation of stock turnover to these factors. To him the selling price must be sufficient to cover expenses and yield a profit. At the same time, it must be so established that merchandise will move rapidly.

The retailer is also governed to a marked degree by factors that affect price less directly. Such matters as the general nature of retail prices, their limits and fluctuations, and the general factors governing retail price determination are among the less tangible items. But our discussion again centers on the more tangible price policies and practices.

Economics of Retail Pricing

The forces which affect the making of price are not the same for all commodities, nor are they the same in the various markets. The contrast between producers' and retailers' markets is very great. Producers' markets are usually the better organized. The buyers are more competent to judge the things they buy, the force of competition is stronger, and the force of custom and habit is weaker, than where the consumer is the buyer. The buyer in the retail market (the ultimate consumer) is not an expert and he cannot have an equal knowledge, either of the quality and serviceability of goods or of competitive prices, with that of the dealer from whom he buys. It is not surprising that competition works more efficiently in the wholesale producer's market. If one visits various retail stores, he will usually find some variation in the prices at which even standardized articles are sold, and in the case of articles whose demand is greatly affected by style, the variations become greater. To a certain extent, he will note that each store has its own customers, its own special demand.

Related or "Linked" Markets—Under modern conditions this lack of price uniformity in the retailer's market must not be overstated. One store cannot go too far above the price

of a competitor or it will lose its patronage. There are always some consumer buyers who have the knowledge of quality, the time and the inclination and the desire to find bargains which are the "best buys." This fact stores recognize by the employment of comparison shoppers.

This idea of related markets is not confined to competition among retail clothiers in the same city. In a recent study, it was shown that the prices of men's ready-to-wear clothing in different cities over a large territory are related. The customer is not restricted to the stores in the city where he lives. He knows about prices and qualities in other places through personal observation, reports of others, and through advertising. These related prices result from the customers' knowledge of several markets. If he believes that prices are too high or goods not in style in the local shops, he can and does go to other cities to buy. Thus, stores in different places tend to be connected or "linked" markets, in somewhat the same way that the wheat markets of the world are linked markets. But the connection is far looser in the case of retail markets.

Why Retail Prices Fluctuate Less—Prices in the retail markets show less fluctuation than any other type of prices. Retail prices are sluggish and not sensitive. They do not record the vibrations of other forces playing on price, except over a long period of time. There are several reasons for this. In the first place, customary or convenient prices may prevail in certain lines. That is, a range of prices for any particular commodity tends to remain in force for a considerable period of time. For example, neckties may range in price from \$1 to \$3, shirts from \$3 to \$6, and suits from \$20 to \$40. This suggests that in retail prices of clothing there is a bargaining range, within which some price is reached which is satisfactory to both the buyer and the seller. In the second place, retail prices cannot be adjusted to every change in the

* Horace Secrist: *The Widening Retail Market*.

wholesale price. In the wholesale market, fluctuations are so numerous that practical difficulty would be encountered by the retailer in re-marking goods and in attempting to keep track of all such changes from day to day. Furthermore, consumers would react unfavorably to such a practice. Retailers' margins are usually wide enough to absorb all unfavorable minor price fluctuations. Of course, on a rising market, the retailer is eventually forced to increase his prices. By that time, however, the consumer is aware of the upward movement in prices and does not object to the permanent change. Such was the case with the rising prices of the war period.

Price Limits—In a determination of retail prices, there are two limiting factors. (1) The lower limit to price is marked by the expense of doing business of the highest cost retailer whose services are demanded. (2) The upper limit is the price that consumers will pay for an existing supply. This does not mean that all retailers are able to sell at a price sufficiently high to pay for the merchandise and cover all expenses. In the last analysis, consumer demand limits prices, and it is this factor which determines the number of retailers and, in turn, wholesale distributors, who are able to remain in business.

Cost, Prices, and Profits—Turning to the lower price limit, it is apparent that, unless the community values a commodity or service highly enough to pay the cost of its production and distribution and also a profit, the capital and labor that is employed in producing that article or service should be diverted to other uses which consumers value more highly. It is sometimes difficult to obtain a perfect adjustment of supply that will maintain a balance between price and cost, because of the ignorance of wholesale distributors and retailers as to their costs. Likewise, there are high cost and low cost retailers, if the price between these retailers remains fairly uni-

form, one of them will secure a much greater profit than the other

Retail Price Determination—It has previously been indicated that, in order to pay expenses of operation, allow a net profit, and, at the same time, anticipate markdowns, it is necessary for retail stores to add a markup percentage based on the relation of selling figures to cost of goods. It is this markup that covers the lower limit of price. The element of markup is basic in the determination of the retail selling price, and other items which enter into the formation of this price merely assist in establishing the percentage of markup.

The factors which aid in the determination of selling price are as follows:

1 **CUSTOM** A certain sluggishness in retail prices has already been noted. This is, in part, due to the fact that prices of many articles have become fixed at a certain figure by custom. For many years the customary price for work socks was two pair for twenty-five cents. When forced to change this price to fifteen cents a pair, retailers met with considerable disapproval because habit and custom play such an important part in buying habits of consumers. The markup is thus, in some cases, a customary figure.

2 **COMPETITION** In the discussion of related markets, it was observed that in the average locality the price level for articles in retail clothing stores is influenced by competition. The present-day competition of the \$22.50 suit has forced many retailers to make price adjustments. Many retailers aim to mark their merchandise in harmony with the prevailing prices of other stores in their class, and then attempt to secure patronage upon a basis other than price.

3 **STORE POLICY** The merchandise policy of retail clothing stores will have something to do with the prices. The store which stresses quality tends to charge more than the store

which stresses price. The store which makes a class appeal is apt to have a higher level of prices than the store making a mass appeal. Also, the services rendered may increase prices.

4. **SUGGESTED PRICES** Manufacturers of advertised goods frequently suggest the price for which their product shall be sold at retail. This also holds in the case of the exclusive agency agreement. These suggestions are made with varying degrees of strength and insistence. Wholesale distributors of men's apparel have a subtle way of suggesting prices and then, if they find the retailer deviating too far from this price, of withdrawing the account. In suggesting these prices, the wholesale distributor plans to allow a satisfactory margin for retail expense and profit. Suggested prices are also a factor in minimizing price-cutting.

5. **RESALE PRICE MAINTENANCE** Suggested prices grade off into some form of resale price maintenance. Resale price maintenance may be defined "as that system of distribution under which the manufacturer of trade-marked or otherwise identified goods names the price at which his product shall be sold and distributed by wholesalers and retailers, thus controlling the margins realized by distributors and the prices paid by consumers."³ Although it is impossible for a manufacturer legally to prevent price-cutting by retailers, he does have the right, within limits, to suggest prices and to choose his customers. Attempts at resale price maintenance are therefore to be considered in the determination of retail prices. Without doubt, they are an indirect influence of some consequence.⁴

6. **STRENGTH OF CONSUMER DEMAND** Many retailers make the practice of charging all they can get. It is not uncommon for a retail clothier to sell a group of garments purchased at the same figure at widely different prices, merely because of slight variations in the color, style, pattern, and

³ A. W. Shaw, *Some Problems in Market Distribution*, pp. 53-59.

⁴ *Ibid.*, p. 53.

design This policy has some justification because of the inherent risk in style merchandise and the possible necessity of taking heavy markdowns at the end of the season Such a policy does not necessarily deserve the stigma of charging what the traffic will bear It is sometimes the only possible method of offering a wide variety of styles for consumer selection

7 VOLUME OF TURNOVER A retail clothier and furnisher can afford to place a lower price on goods which sell rapidly than on goods which remain in stock a long time In the men's wear trade, the higher turnover is generally found in items of lower unit value, of which frequent sales are made It is true that in other items turnover may be speeded up by a slight reduction in price

8 STABLE PRICES Many retailers are governed by the efforts toward price stability of certain wholesale distributors In other words, a certain fixed price is identified with a certain manufacturer's product For many years the Curlee Clothing Company of St. Louis maintained a stable price on blue serge suits, lot number 6121 The price was \$16.50 Style-Plus maintained a fairly stable price of \$17.50 Today Stein-Bloch features a garment at \$50 These stable prices of wholesale distributors are similar to the suggested prices

9 FASHION AND PRICE Over a given season, or series of seasons, there will be fluctuations in selling price of merchandise where the element of fashion is important In Chapter 3 the fashion cycle and its relation to merchandising was discussed At this point it is to be noted that, on the upward sweep of this cycle, retail prices for the particular articles affected by fashion are the highest, and on the downward sweep the retailer is generally forced to lower his prices, depending upon the skill with which he has made his selection It is because of such little understood conditions that popular

opinion frequently criticizes the clothing business as a two price business

Price Policies—In noting the various factors of retail price determination, three general price policies may be noted ¹ (1) selling at the market minus, (2) selling at the market, and (3) selling at the market plus

1 "Selling at the market minus is the policy which aims to increase sales by reducing price"² The success of this policy depends upon the ability of the retailer to market substantially identical products at lower prices This policy is followed by many retail clothing stores in their "economy stores," "annexes," and "bargain basements" Frequently job lots and stocks of distress merchandise are purchased and sold on this basis

2 Selling at the market consists in the acceptance of the market price generally prevailing In selling according to this policy, the merchant may increase his profit by devoting himself to a reduction of cost or he may seek to increase his sales The great majority of clothing stores are probably selling at the market, although they adjust this policy in the case of special sales The so-called medium-price clothing stores appear to be selling at the market

3 Selling at the market plus The basis of this policy is selling above the market by virtue of making a class appeal or by identification of the product by trade-marks, brands, and trade names Demand is stimulated by calling attention to quality The trading-up movement is an indication of this practice The differentiated commodities are established on a new and higher price level Many consumers identify value with high price, or prefer to patronize the exclusive shops

¹ Resale Price Maintenance Letter from the Chairman of the Federal Trade Commission referred to the Committee on Interstate and Foreign Commerce (70 Cong 2 Sess Doc 516 Part I p 2)

² Refers to efforts to legalize price maintenance such as Capper Kelly Bill and investigation of Federal Trade Commission

It is here that the policy of selling at the market plus is in greatest favor

Price-Cutting—Selling at the market minus frequently takes the form of permanent price-cutting, a practice to be differentiated from the price reductions of special sales. Price-cutting is often a feature of a sales promotion plan. A window display on a price basis, and advertisements featuring price, are frequently resorted to. As a result of this policy, sales may be increased, but it is questionable in many cases, whether volume is increased sufficiently to offset the lowered margin of profit. An aspect of this policy is the use of loss-leaders, usually comprising trade-mark and branded goods for which there is a large consumer demand. To combat the evils of price-cutting, retail associations have taken steps against it and manufacturers have endeavored to maintain resale prices.

The Use of Odd Prices—Many retailers of men's wear, especially chain stores, department stores, and mail order houses, make use of the odd price. It is a peculiarity of consumer demands that a shirt priced at \$2.98 will sell better to a certain class of trade than shirts priced at \$3.00. Straw hats frequently sell better at \$3.95 than at \$4. This has the net effect of giving the customer the impression that one store offers better values than another. Odd prices were formerly used to force the customer to wait for change in the hope of making another sale during the waiting period. They have also been used to reduce the ease of shoplifting. As a sales stimulating device the odd price policy will no doubt continue, regardless of its somewhat misleading implication.

The One Price Policy—In the retail clothing trade during the past twenty-five years, it has become the almost universal practice for merchants to adhere to a one price policy. Prices vary from time to time and vary between stores, but

the essential point is that the same price for the same commodity is quoted to all customers by each merchant on any one date

The one price policy first came into use in this country in the large dry goods and department stores. The several prices in bargain policy required salespeople with considerable skill. It was not practicable to employ these high-price salespeople in the large stores. The one price policy made it possible to employ people who had had no training in business nor in any phase of buying and selling. Moreover, to be successful, the one price policy demanded that the price be fixed at the point at which the goods would move. The results of the one price policy have been valuable. It has taken salesmanship from the level of talking about price, to the demonstration of what is being offered. It has made the buying and selling process more efficient by eliminating price higgling. Likewise, it insures equal treatment to all customers and makes for the giving of equal values to customers of a particular store. It is unfortunate that the retail clothing trade was so slow in adopting the one price policy.

Credit Policies

In translating the general theory of price into operating policies, one of the general questions that arise is that of credit. In men's apparel some form of credit extension to the consumer is almost necessary, and the great majority of stores grant credit. In one study only 41 out of 315 stores reported less than 10% credit sales.

From the viewpoint of the retailer, the granting of credit offers several advantages

- 1 Credit is a selective process and therefore attracts a good class of patrons
- 2 Credit cuts down customer turnover
- 3 Credit increases the number and volume of sales

- 4 Credit is a builder of goodwill
- 5 Credit is a service to customers and helps to establish a better organized business

The arguments advanced against credit are

- 1 Credit necessitates a bookkeeping department
- 2 Credit leads to a certain percentage of losses
- 3 Credit ties up the merchant's capital
- 4 Credit adds to the cost of merchandise
- 5 Credit leads to arguments with customers

From the customer's viewpoint

- 1 Credit allows postponement of payment, enabling a customer to get the use of goods before money is available
- 2 Credit gratifies the instinct of vanity. Customers, for example, prefer to hear a clerk say, "Madame, would you like this on your account?" rather than "One dollar, eighty-five cents, please!" The store becomes more personal and the clerk is able to know better the customer's wants and preferences
- 3 Credit takes the drudgery out of shopping. It makes it unnecessary to carry sums of money, to bother with "making change" or to arrange for cash on delivery. It furnishes an itemized account of purchases through the monthly statement. Furthermore, merchandise can be returned without embarrassment, and purchases can be rapidly made by telephone.

Credit Volume in the Retail Clothing Trade—Most clothing stores grant credit. In the men's clothing trade, this is even true of the chain stores. A number of chain systems feature credit. A number of surveys have been made with a view toward determining the number of credit sales. These surveys were made at different times and under varying circumstances, but they serve in a general way to indicate the credit volume in the men's apparel trade. A survey among

Kansas Retail Clothiers, for the year 1924, found average credit sales to be 30.6% of total sales.⁷

The Bureau of Business Research, Northwestern University, in cooperation with the National Association of Retail Clothiers, found the average charge business of clothiers, during 1919, to be \$30.75 for every \$100 of total net sales. Figures for the East were \$25.96, South, \$42.06, East North Central, \$24.75, West North Central, \$29.25, and West, \$27.23. These statistics were collected before instalment selling in men's wear became popular, and consequently the influence of this form of credit extension is not recorded.

In Nebraska stores, credit extensions in clothing amount to 50.8% of sales.⁸ A study by the University of Michigan, in cooperation with the National Retail Credit Association, found the percentage of credit to total sales to be 58%.⁹

In the retail clothing trade, it appears that stores with larger sales volume sell a larger percentage of goods on credit. The following data from the Northwestern University Bureau of Business Research illustrate this fact.¹⁰

TABLE 8 PERCENTAGE DISTRIBUTION OF CREDIT SALES STORES GROUPED ON BASIS OF ANNUAL SALES VOLUME

Classified Total Net Sales	Number of Stores	Index of Credit Sales
Under \$40,000	44	71.8
\$40,000 to \$80,000	122	75.7
\$80,000 to \$180,000	107	93.7
\$180,000 and over	40	118.0

The range in volume of credit sales has been observed. For the individual store a group of factors should aid in the

⁷ University of Kansas Studies in Business No. 1.

⁸ The Control of Retail Credit. University of Nebraska Studies in Business Vol. 2 No. 6.

⁹ Operating Strategies for the Credit and Accounts Receivable Departments of Retail Stores 1917. University of Michigan Business Studies Vol. I No. 6.

¹⁰ Northwestern University School of Commerce Bureau of Business Research Bulletin Vol. I pp. 61-63 Table 41.

determination of credit business. These are (1) working capital—a store not fully financed should restrict the credit extended to accord with its working capital condition, (2) the volume of acceptable credit business arising from store location, (3) class of merchandise sold, (4) store personnel—well-trained employees, skilled in developing customer followings foster credit business, (5) competitive conditions—price policies in the form of credit extension, are frequently used as competitive devices, (6) current business conditions—in agricultural and industrial communities, business conditions greatly affect the credit situation—in agricultural communities, particularly, retailers are forced to carry accounts for a considerable period of time, (7) the feasible credit loss—the prevailing markups of the different lines permit varying percentages of bad debt loss compatible with profit, and (8) store credit skill.

Accounts receivable should be only those that will help to maintain a high credit standing for the particular store. A large number of past due accounts receivable reacts unfavor-

TABLE 9. PERFORMANCE STATISTICS FOR MEN'S APPAREL STORES OF VARIOUS SIZES. REGULAR CHARGE BUSINESS ONLY.

Items	Total Store Sales Volume			(Cash & Credit) (000 omitted)
	\$50 to \$99	\$100 to \$249	\$250 to \$499	All Volumes
Total number of reports	6	13	17	37
Aggregate Sales—Cash and Credit (000 omitted)	\$513	\$2 170	\$10 395	\$23 650
Typical Sales—Cash and Credit (000 omitted)	\$88	\$142	\$339	\$285
Returns†				5%*
Salary Cost—Credit and Accounts Re- ceivable Offices‡		2.8%*	3.1% 1.0%	2.6% 1.0%
Losses from Bad Debts†	2.0%*	1.3%*	\$3 366*	\$2 600
Average Annual Salary—Credit Office			\$1 248	\$1 200
Average Annual Salary—Accounts Receivable Office			\$1 879	\$1 732
Average Annual Salary—Credit and Accounts Receivable Offices		\$1 500*		

† Includes data from stores offering only regular charge terms and from those offering both regular charge and installment terms.

* Standards stated are based on 10 figures or less. No standards were computed when less than 5 figures were available.

‡ Percentage of net regular charge sales.

ably on the credit standing of the store with the wholesale distributors. Further, the total accounts receivable should not be permitted to exceed the amount required to perform the credit task well. Table 9 indicates performance statistics for men's apparel stores of various sizes.¹¹ This table provides standards which may be used by executives of stores of various sizes.

Credit Control—Credit control is the management of credit extension in the most economical manner. Credit extension, as already suggested, involves several costs. One cost is interest upon capital required to finance accounts. Capital is thus tied up, which should be used for taking discounts and for aggressive merchandising. A second cost is occasioned by bad accounts, a third by expense of collection, and a fourth by the expense of office administration of credit, such as labor, supplies, postage, and related items.

The retail clothier, in extending credit, should follow definite policies in respect to standards, tests, and measures which are used to set up objectives for the credit and collection department. The principal devices of control are (1) bad debt loss, (2) collection percentage, (3) turnover of receivables expressed in days, (4) the delinquency percentage, and (5) the rejection percentage.

I. BAD DEBT LOSS An annual percentage of net, total or credit sales may be fixed, within which the credit department is expected to keep. A reserve for bad debts is commonly set up. In the men's clothing trade, various estimates of the losses from bad debts have been made. The loss is usually greater for small stores than for large stores, one report indicates a loss of 4% for large stores and of 6% for small stores, in 1927.¹² The Nebraska study gave bad debt losses for clothing (men's and women's) as, loss on total sales, 1.0%, loss on

¹¹ University of Michigan, *Business Studies of the* p. 42.

¹² *Ibid.*, p. 42.

credit sales 15%¹³ The University of Michigan study gave losses from bad debts as follows¹⁴

TABLE 10 LOSSES FROM BAD DEBTS

Total Store Sales Volume	Losses from Bad Debts
\$ 50 to \$ 99	2 0%
\$100 to \$249	1 3%
\$250 to \$499	1 0%

2 COLLECTION PERCENTAGE The collection percentage refers to the percentage of outstanding accounts on the first of the month that have been collected during the month

TABLE 11 PER CENT OF COLLECTIONS MADE—
RETAIL CLOTHING STORES

1927 Annual Total Sales Volume	Per Cent of Collections Made Each Month
Below \$100,000	37 7
\$100,000 to \$200,000	50 0
\$200,000 to \$500,000	40 0
\$500,000 to \$1,000,000	56 0
Above \$1,000,000	40 0

The collection figures by months for men's apparel stores are also valuable as a standard of performance (These are given in Appendix B, Table 32)

3 TURNOVER OF RECEIVABLES EXPRESSED IN DAYS Collection percentage can be translated into turnover in days by use of the formula $\frac{30}{T} \times 100$, T being the collection percentage Thus, collections amounting to 40% are equivalent to a turnover of 75 days

¹³ University of Nebraska Studies in Business No 6 op cit

¹⁴ University of Michigan Business Studies op cit

4 THE DELINQUENCY PERCENTAGE A statement of all accounts past due is also used as an indicator of credit control. Accounts are frequently classified on the basis of "not delinquent" and "past due." No. 1 accounts are not delinquent, 2, 3, 4, 5, and 6 represent a graduated scale based on the extent to which the account is past due. Other retail clothiers classify their accounts as follows. Class A accounts, people about whom there is no question whatever. Class B accounts, no restriction on normal purchasing, but restriction on extra large purchases. Class C accounts, those accounts that are confined to a limited amount each month, according to the applicant's ability to pay. Class D accounts are accounts by special arrangement, where the customer is required to make a fairly heavy down payment. An E account is absolutely "no good."

5 REJECTION PERCENTAGE Another control device is the rejection percentage, which is the restriction on receivables set by the budget and the credit limit.

When the payment of an account is delayed, costs accumulate to the destruction of profit. The actual extent of this loss depends upon the markup. A formula for determining the vanishing point in accounts receivable is this: "The net profit on accounts receivable multiplied by the number of days in the period and divided by the costs of getting in the money for the period, equals the profit vanishing point."¹⁸ Thus, if net profit is $4\frac{1}{2}\%$, and cost of getting in the money for the period—30 days—is $1\frac{1}{2}\%$, the profit will vanish in 90 days.

Needless to say, caution should be exercised in granting credit, and some of the losses in the retail distribution of clothing might be minimized by more careful granting of credit. Further, many accounts which are carefully opened are not paid when they are due, and for this reason a systematic collection policy is essential. Aside from the activities of

¹⁸ Bartlett and Reed, *Retail Credit Practice*. Ch. II.

individual retailers, credit associations are accomplishing a good deal in educating the public to the idea that terms of purchase are made to be respected.

Making Collections—Collections are made in four principal ways, and individual store policy generally dictates some combination of these methods. These chief methods are (1) mail effort, (2) collection by telephone, (3) personal calls, and (4) professional collection service. Again, it should be mentioned that associations of credit men cooperate, not only to the education of customers regarding the proper use of credit, but in the collection of accounts as well.

In analyzing collection efforts, several appeals are noted. These are (1) goodwill—which in one aspect is the delinquent's desire to retain the store's goodwill, and in another the delinquent's goodwill toward the store, (2) honesty and sense of fairness, (3) regard for reputation, and (4) appeals centering on pride, shame, and fear.

Collection letters can be made more effective by checking results and eliminating unproductive letter appeals and forms. Wherever possible, the length of the letter should be reduced.

Personal calls are effective, especially in the case of small accounts, and in agricultural regions. In these instances, a call from the proprietor or from a senior salesman often proves a desirable means of speeding up the slow accounts.

Professional collection services are generally used on bad accounts, and it is here that a well-organized account classification is necessary.

In the men's clothing trade, collection by telephone is not as yet widely used, however, it holds open the advantage of being quickly executed and, if skilfully done, proves very effective.

An important trend in the collection of accounts is the cooperative attitude. Retailers are beginning to discover that collection success is greater when a cooperative attitude is

assumed, rather than a fighting, antagonistic attitude. In some cities, retailers have been instrumental in organizing finance institutions that take care of honest debtors who have become so involved that they scarcely see their way out. This type of cooperation is, of course, more practical in the larger communities, although it is much needed in small agricultural communities.

In order to minimize credit difficulties and secure cash at the time of sale, retailers make use of the trade acceptance check.¹⁰ Thus, if the customer favors deferred payment, he fills out a trade acceptance check on which he promises to pay at his own bank a certain amount on a certain date. This check is endorsed and guaranteed by the store and then discounted at the bank. The customer pays to the store for this privilege a slight carrying charge. This plan has the merits of securing ready cash and at the same time of impressing the customer with the necessity of meeting his obligation.

Changing from Credit to Cash Basis—Should the retail clothier change from a credit to a cash basis of doing business? In view of unfortunate credit conditions, many retail clothiers have considered abandoning the credit policy and going on a cash basis. Such a step is contrary to the present general tendency, which is distinctly toward a larger but better controlled credit policy. A large number of stores that have operated on the cash basis, have changed back to a credit basis. Stores operating on a so-called cash basis are apparently forced to grant credit up to about 10% or 15% of their sales.

One of the most interesting features of present-day credit is instalment selling. As a principle it is economically sound, provided the commodity in question is of a desirable nature and can be used over a period of time. The application of this principle to the distribution of men's apparel is of compara-

¹⁰ Martin I. Zofness was among the first to make such use of the trade acceptance

tively recent origin, although it has been in use in other trades for twenty years or more

Instalment Selling—In men's apparel, retail instalment selling is sometimes referred to as "Ten Payment Plan," "Budget Plan," or "Deferred-Payment Plan." Various estimates have been made as to the extent of instalment selling in men's clothing. The total volume of clothing (men's and women's) sold on the instalment plan in 1925 was estimated at 5% ¹⁷. This figure is, without doubt, too high.

"The Ten-Payment Plan of Retailing Men's Clothing," a study made by the Ohio State University (see Figure 6), gives the following averages for five Ohio cities

PURCHASE PLAN	
Cash	69.1%
Charge Account	29.5%
Weekly Payment Plan	1.4%

In any event, instalment selling is important in many clothing stores, and difficult problems are involved in seeing that it is properly used.

Instalment selling meets with its least success in the high-grade, exclusive type of store and with its greatest success in stores that make a wide appeal. Nevertheless, many high grade stores are using the plan. Generally speaking, the success of instalment selling depends on the class of trade, type of community, credit administration, and competition.

Certain fundamental principles should govern the use of instalment selling ¹⁸. They are

1. Instalment selling should be limited to—

- (a) Articles which add to the earning power of the purchaser or to his permanent or semi-permanent assets
- (b) Articles which are very necessary or useful

¹⁷ Bartlett and Reed, *op. cit.*, Ch. I.

¹⁸ *National Retail Clothier*, February 3, 1927, p. 100.

- (c) Articles which involve larger outlay than the average person is able to make at one time
- 2 Down payment should be required in an amount—
 - (a) Sufficient to cover the difference between the first and second-hand value of the article plus the dealer's profit on the transaction
 - (b) Sufficient to give the purchaser an incentive to continue payment
- 3 Periodical payments—
 - (a) Should never outrun the life of the article
 - (b) Should always exceed the depreciation value of the article sold
- 4 Instalment selling should only be entered into after a careful credit investigation, and the combined instalment obligation which the buyer has to meet should not exceed 10% to 15% of his regular income

Within limits, instalment selling in the men's wear trade may offer the following advantages

- 1 Reduced losses from bad debts
- 2 Reduced time outstanding on accounts
- 3 Increased capital turnover because of down payments as well as regular incoming flow of payment
- 4 Attraction of new trade, and thus increased volume of clothing and furnishing sales
- 5 More permanent relations between store and customer
- 6 An effective competitive device both for store and industry
- 7 Customers may purchase entire wardrobe at one time without paying the total lump sum
- 8 Selling of high-priced garments made possible
- 9 Harmony with consumer demand and thus makes for customer satisfaction

The unfavorable features are as follows

- 1 Unfavorable reaction on prestige of store using this plan
Attracts a lower class of trade
- 2 High cost of administration

- 3 Discrimination against cash customer
- 4 Possible conversion of a large number of cash customers into credit customers
- 5 Inferior credit risks attracted
- 6 Customer "over-buying" with reference to income The customer in such instances blames the store and transfers his patronage elsewhere
- 7 Customer dissatisfaction, because garments wear out before they are paid for
- 8 Risk greater because of insignificant repossession value

Many of these advantages and disadvantages apply to any type of credit extension, consequently only a few of them will be discussed at this point

The cost of administration depends, in a large measure, upon the credit administration already in use The experience of one well-known store gives evidence that a budget plan may be operated at less expense than a regular charge account system¹⁰ It must be remembered that the burden of cost may be greater to the small store and that credit control operates under decreasing costs Of related significance is the fact that instalment selling frequently brings with it more care in selecting credit risks, and this should be a cost-reducing factor for any store

In comparison with regular charge accounts there is ample evidence to show that an instalment selling plan reduces the average time of outstanding accounts Very few of the so-called 30-day accounts are ever paid within 30 days In fact, various estimates give 76 days and 93 days as the time taken by regular charge accounts A graphic comparison of the time outstanding of regular charge account and ten-payment plan is here given (See Figure 6)

In order that we may more accurately evaluate the favorable and unfavorable features of instalment selling, it will be interesting to follow the history of stores that have had con-

¹⁰ The Hub Clothing Store Chicago

siderable experience with this form of selling. In a study made by the *National Retail Clothier*, in July, 1928,²⁰ the basic object was to determine whether or not the stores were still using the plan and with what success. Twenty-four stores,

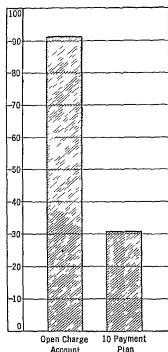


Figure 6 Time Outstanding on Account Ten-Payment Plan vs Average Charge Account Down Payment of 20% Assumed Instalments to be paid when due *

* From H. D. Comer, Ohio State University Studies, Bureau of Business Research Monographs No. 5, p. 17, 1926. The Ten Payment Plan of Retailing Men's Clothing.

with experience in instalment selling over a period of from one to five years, were selected. Only one of these stores had completely discontinued the instalment selling plan, although only thirteen stores reported instalment selling still as active as when it was first begun. The majority of stores reported

²⁰ *National Retail Clothier*, July 5, 1928, p. 62.

that there had been no loss of higher class trade, while instalment selling had increased their cheaper class of trade. On the whole, it was brought out that very few 30 day customers or cash customers had changed to the instalment plan of buying.

This survey also brought out the facts that instalment selling had increased the total volume of business, and that it appealed to all classes of customers. Seventeen of the stores reported that the ten-payment plan enabled them to sell higher priced merchandise. All but three of the stores stated that, if they were to make the decision again, they would install the ten-payment plan. Thus, after several years' trial, instalment selling in the men's clothing trade is still in high favor. Of particular interest were the answers to the question as to the best means of advertising or making known the plan, assuming that it was to be adopted in full. Some advocated wide-spread publicity, others a quiet, dignified, direct mail campaign, still others favored newspaper advertising, and would depend upon the credit man to select the risks. In determining upon a publicity policy, the size of city and type of trade should be the important considerations.

In actual operation, two other important problems present themselves, one is the size of the down payments, and the other has to do with the nature of the contract. The size of the down payment should be about 20%. In many cases, careful handling of the customer will secure in excess of this amount. For example, the salesman may ask "How much do you want to pay down?" or "How much do you want to pay each week?" Either question ordinarily brings an acceptable answer, and it is seldom that the offer must be graded up.

In men's clothing, the sale contract is not quite so drastic as in the case of furniture or motor cars. Several typical contracts are given in Appendix B, Figures 9, 10, and 11.

In conclusion, it may be stated that many clothing stores effectively use instalment selling in some form. There is little doubt as to the soundness of the principle. It demands skilful

operation and good judgment in determining whether this plan of selling is desirable for both the store and the community. Perhaps the chief difficulty is that the unit of sale is too small. This difficulty could be overcome by developing the wardrobe idea of selling, that is, sales of two, three, or four units at a time, or by selling suits, overcoats, and furnishings at one time, all the purchases to be considered as constituting one transaction and the instalment payments to be made accordingly.

Summary—This chapter has been developed with the thought of presenting the aspects of pricing, first, those more familiar to the retailer, namely, markup and markdown, and second, the economics of pricing, as aspects which involve a more remote group of forces, such as appreciation of the nature of retail prices, analysis of price-determining factors, etc.

In actual practice, pricing includes the terms of sale, which naturally brings up retail credits. Now, in credit practice an important feature is instalment selling. The outstanding hindrance here seems to be the small size of the unit sale as against, however, many advantages. The wide application, therefore, of the principle of instalment selling of the men's wear trade will no doubt depend on the possibility of increasing the unit of sale from a single item to the wardrobe group.

CHAPTER 11

RETAIL SALESMANSHIP AND SELLING PROBLEMS

In the two chapters preceding, basic problems in retailing have been considered, such problems, for example, as buying and pricing. The retailer's initial problems, location, stock arrangement, and the selection, training, and methods of compensation of personnel were considered in an earlier chapter. The next step is selling.

Selling refers not only to the activity of salesmanship, but to many other and varied aspects of sales, which confront every storekeeper. This chapter discusses salesmanship and selling problems under five heads: (1) salesmanship, (2) sales planning, (3) selling problems, (4) merchandise returns, (5) the exclusive agency.

Retail Salesmanship

The psychology of salesmanship is a study in itself and cannot receive full attention in this work on merchandising. The principle of sales planning underlies any discussion of selling and is, therefore, taken up in advance of specific selling problems. The discussion of selling problems is concerned with stimulating sales and related problems. The selling of extra lines, special sales, cooperative selling, and similar problems are taken up. Finally, because of its identification with the selling policy of stores, and because, moreover, of the perplexing nature, the problem of merchandise returns is considered from the selling point of view and under its own heading.

The exclusive agency for certain kinds and lines of merchandise calls for attention both from the retailer's and the wholesaler's angle. The retail aspect of this subject concludes this chapter, leaving the exclusive agency as a problem of the wholesale distributor for later discussion.

The Force of Personal Salesmanship—A retailer's following formerly depended upon the retailer himself. Now it is necessary to look upon the store as an institution in whose success effective service on the part of every member of the store organization is the ultimate, determining factor. This statement holds true even in the case of smaller stores.

The new importance of the salesman has been further enhanced by the changed viewpoint of selling. *Caveat emptor*, "let the buyer beware," has given way to *caveat vendor*, "let the seller beware." The interests of the seller have become identified with those of the consumer. Because of this emphasis on consumer satisfaction, the responsibility of retail selling has greatly increased.

By definition, "salesmanship is the art exercised by the seller in effecting economic exchanges"¹. Salesmanship is economically justified, because it enables certain economic functions to be performed more efficiently than would otherwise be possible. Present-day retail salesmanship realizes that only by considering the consumer and selling him only what is best suited to his requirements, as determined by study and careful adaptation of products to buyers' needs, can any great success be attained.

Retail Selling Creates Value—Retail selling today is revolutionary because of the substitution of experts for inexperienced behind the counter. Formerly retail salespeople were hired as "clerks" or "to wait on trade", now they are employed as agencies of value creation. Fundamentally, retail salespeople create value. Goods do not sell themselves, they must

¹ Tosdal: Principles of Personal Selling, p. 4

be sold. And in each article there is something which will sell it, if only the salesperson can locate that something and tell the consumer about it.

In this respect, men's wear salesmen must be specialists. Articles of men's wearing apparel are complex both as to quality and construction. Comparative quality of textiles can be distinguished only by an expert, and that expert is not the average salesman. The salesperson in the men's apparel trade must further be an adviser, an adviser as to fashion, proper fit, appropriate dress for the occasion, color harmony, and budgeting for personal consumption. These forms of advice cannot be properly given unless there is a person competent to advise. The customer also wants to be informed as to why he should purchase a particular article and why the price varies between apparently like articles. These, and other problems, make the retail selling of men's apparel difficult and explain why it should command the highest type of salesmanship.

Retail Selling in Operation—In actual practice the retail salesman meets with a variety of problems. He is called upon to explain price differences, a difficult task in the clothing business where the customer has little if any knowledge of either the fabric or its manufacture into a garment. The salesman must also size up the customer and anticipate his or her desires. Likewise, when the customer makes known his wants, the salesman should be able to suggest related or associated commodities. Suggestive selling is wasted unless it is in harmony with the customer's needs. In some stores, salesmen assist in granting credit and this calls for a skill in leading the less desirable accounts into the price range wherein they can afford to buy.

Explaining Price Differences—From the customer's viewpoint, one of the most unsatisfactory aspects of retail selling is the inability of the salesman to explain price differences. In the purchase of suits and overcoats, this is particularly

noticeable. In order to explain these price differences, the salesman must have a knowledge of the chief characteristics of the garment so as to be able to set forth intelligently details of material and of making. The integrity and reputation of the maker as a producer of high-grade clothing are valuable in this connection.

In order to help the salesman to understand the price differences in men's clothing, men's ready-to-wear clothing may be classified in three main divisions or grades.²

Grade 1 The highest quality materials, tailoring, and price

Grade 2 The medium quality materials, tailoring, and price

Grade 3 The low quality materials, tailoring, and price

This classification is arbitrary, as the low grade, 3, may be essentially a *fabric* line, with cloth of good quality but of the cheapest machine make, with the most economical trimming and lining, in order to meet a low price. On the other hand, the high grade, 1, may adopt a cloth of medium price and quality, yet the finished garment, by reason of its style element and its workmanship, will properly belong in the high-price field.

The two principal factors in price differences of suits are the materials employed and the labor of making and tailoring. The term, "materials," includes lining, trimmings, thread, buttons, and other items, the labor includes refinement of shaping and tailoring.

The following comparison illustrates the spread in cost per suit of the cloth fabric employed in the three grades:

Grade 1 Three and one-half yards cloth per suit at \$4.00
per yard—\$14.00

Grade 2 Three and one-half yards cloth per suit at \$3.00
per yard—\$10.50

Grade 3 Three and one-half yards cloth per suit at \$2.00
per yard—\$7.00

²Material for this discussion was taken from an address by Harry M. Capps, president of J. Capps & Sons Ltd. delivered at Wichita, Kansas, February 12, 1929, to the Kansas Retail Clothiers' Association. Mr. Capps was kind enough to give the author permission to make use of this material.

There is a spread of \$3 50 per suit between numbers 1 and 2 and between numbers 2 and 3, and a spread of \$7 00 per suit between numbers 1 and 3—for cloth fabric alone—and at only average prices in each grade

In further illustration of the spread in cost per suit, compare the other materials used—the trimmings, linings, and so forth

- Grade 1 Trimming and lining, etc., per suit—\$5 00 and up
- Grade 2 Trimming and lining, etc., per suit—\$3 00 and up
- Grade 3 Trimming and lining, etc., per suit—\$2 00 and up

There is here a spread of material cost (other than cloth fabric) of \$2 00 per suit between numbers 1 and 2, of \$1 00 per suit between numbers 2 and 3, and of \$3 00 per suit between numbers 1 and 3, a total spread of \$3 00 per suit for trimmings and linings used, at only average prices in each grade

Besides a knowledge of materials, a knowledge of some of the broad details of operation should assist the salesman in accounting for price differences. Every salesman should visit the factory or, as an alternative, the store should secure a motion picture of the production process. In the making of coat, vest, and trousers, there are over 100 operations. The following comparisons furnish useful information

The coat—

- Grade 1 Approximately 30 hand and 32 machine operations
- Grade 2 Approximately 18 hand and 48 machine operations
- Grade 3 Approximately 5 hand and 52 machine operations

The vest—

- Grade 1 12 hand and 11 machine operations
- Grade 2 10 hand and 13 machine operations
- Grade 3 3 hand and 15 machine operations

The trousers—

- Grade 1 23 hand and 17 machine operations
- Grade 2 6 hand and 32 machine operations
- Grade 3 5 hand and 24 machine operations

In analyzing these figures, it is to be noted that in grade 3 there are 21 less operations on a suit than in the other two grades, and that there are only 13 hand operations. This is probably the irreducible minimum, hand operations being performed for the simple reason that they have to be.

Comparison of the first and second grades shows from 30 to 18 hand operations on the coat, 12 to 10 hand operations on the vest, and 23 to 6 hand operations on the trousers, in other words, in grade 2, there are 12 less hand operations on the coats, 2 less hand operations on the vests, and 17 less hand operations on the trousers than in grade 1.

By way of further illustration, some of the principal operations in the making of a coat may be noted. These are canvas making, canvas basting, pocket making, joining coat seams and pressing, undercollar and lapel padding, front pressing, edge basting, joining shoulder seams and pressing, undercollar basting and shaping, collar making and finishing, sleeve sewing into armholes and pressing, basting armholes and tacking, felling, shape pressing of collar and lapel, edge pressing, off pressing, buttonhole making and button sewing.

In considering several of these operations, we take up first the *undercollar padding*. In grade 1, this is done by hand, and costs about 25 times as much as in grade 2, where the padding is done by machine, nine rows of stitching being put in; in grade 2, the cost is about twice as much as in grade 3, where only four rows of stitching are put in.

Then there is the *collar shaping*, in the better grade 1 garments, this costs about 65 cents and is done by hand, the shoulders being joined at the same time. In grade 2, the cost is about 15 cents, and the work is also done by hand. In grade 3 the collar is not shaped. Seams, pockets, canvas, and front make up two pressing operations in grades 1 and 2, but pressing is not done in grade 3.

The operation of *canvas basting* is done by hand in grades 1 and 2, and by machine in grade 3.

The *padding of lapels* offers opportunity for a wide variance in costs. In this process, the padding and the back of the lapel are sewed together with a large number of stitches which do not show through the cloth. There is a very close connection between the skill with which this is done and the appearance of the lapel and the front of the coat. It is possible for an experienced tailor to put in from three and one-half to four hours' time in padding lapels of a coat, with a cost of from \$3.50 to \$4.00 for this operation alone. On garments of grade 1, however, the usual cost of padding lapels by hand runs from 75 cents to 90 cents. In grade 2, it is done by machine and 12 rows of stitching are put in, in grade 3, it is also done by machine and about 7 rows of stitching are put in.

Many other points of difference might be noted, but the primary object of this discussion is to show the possibility of a commodity analysis in the explanation of price differences. Manufacturers supply information covering the above points, and trade journals run numerous articles on the subject. Customers want to know *why* one article costs more than another. Their questions can be answered only on the basis of the sort of information that has been given in the foregoing paragraphs.

Negative Suggestion—Salesmen unthinkingly ask such questions as "You don't want any neckties, do you?" or "Nothing else today?" Questions of this nature put in the mind of the prospect the answer word "No," and lead him away from the thing suggested. It is much easier to make a positive suggestion such as "We have just received some beautiful shirts that I would like to have you see."

Analysis of Customers' Wants—In dealing with customers, salesmen should, in effect, make market analyses. Customers in their comments to salesmen indicate their satisfaction or dissatisfaction with particular commodities. Organized

information of this type is an excellent guide to buying and advertising, and its possession and use improve the salesman's ability to deal with other customers. To illustrate this procedure one salesman kept a record of customers' objections to derby hats. He found the weight of the derby to be the chief objection. Consultation with the buyer and with a representative of the hat maker resulted in the production of derbies of lighter weight for that particular store.

The Value of a Customer—The bulk of retail selling is based upon a seller-customer relationship. That is, the majority of goods are sold to purchasers who have previously bought the same or similar goods, and have bought them from the same seller. This important feature of retail selling is well expressed as "customer relations." Contact with the salesperson is the limit of most customers' relations with the store. It is therefore "up to the salesman" to retain that customer and to secure an increasing amount of his patronage. It is estimated that the customer on the books of a clothing store is worth \$85 a year to that store. An inventory of customers is as important as an inventory of stock and fixtures. Few stores, apparently, recognize this fact.

Many successful salesmen, however, find it worth while to maintain a card file of active customers and to keep a record of sizes, purchases, and other items. The customer dislikes having to recall his size every time he makes a purchase. Further, good salesmen study their trade, telephone them, etc., while at the same time they do not fail to devote considerable energy to working up new prospects.

There are many profitable ways in which salespeople may keep track of customers. It is strongly advised that they make for themselves lists of both regular and casual customers, classified in some such fashion as these comments suggest:

- 1 Charge or cash
- 2 Peculiar attitudes toward merchandise

- 3 Secure names and addresses so as to send out special merchandise information
- 4 Watch stocks in order to select and suggest to customers articles which it is sincerely believed will make a special appeal
- 5 Exercise skilful tact in conveying to customers the desire of the store to serve them in the way of giving information concerning new merchandise

Sales Planning

Salesmanship is concerned with problems that arise after the customer enters the store, sales planning is an operating policy based on an analysis of sales

We have previously suggested that profitably operated stores are those that have some system which enables them to plan ahead. They are the ones that control buying and selling to a degree that enables them to get the most efficient proportion between stocks, sales, and profits

The estimating of future sales is based primarily on past performance. This method implies that the store has kept a record of past sales by departments or lines. Careful study of such a record brings out many important details. For effective results, records extending over several years should be analyzed, and upon this analysis the future activity should be profitably determined.

Such an analysis of sales by departments will indicate that some lines are carried without profit, and that sales efforts should, therefore, be directed toward their upbuilding. Further, some of the smaller stores, which find that, because of the overlapping of trading areas, they have lost clothing sales to stores in larger trading centers, will be forced to discover other lines that they can sell at a profit. The discovery of profitable departments is, indeed, an ever-present problem for all stores.

In comparing the total sales and specified lines of merchandise for stores whose annual total sales volume ranges

from \$100,000 to above \$1,000,000, several facts are to be noted. In the smaller stores, work clothing plays a more important part than in large stores. Likewise, furnishings are relatively more important than clothing. In stores whose annual total sales volume reaches over \$1,000,000, the hat and cap department is relatively more important than in stores of lesser annual total sales volume. The relative importance of the major divisions is brought out in Table 12.^a

TABLE 12 PER CENT OF TOTAL SALES IN SPECIFIED LINES OF MERCHANDISE DURING 1927

1927 Annual Total Sales Volume	Men's and Young Men's Clothes	Men's and Young Men's Fur- nishings	Men's and Young Men's Hats and Caps	Men's and Boys Shoes	Boys Clothes	Boys Fur- nishings	Work Clothes
	%	%	%	%	%	%	%
Below \$100,000	40.6	28.1	6.7	9.5	4.9	3.2	7.0
\$100,000-\$200,000	46.1	27.4	6.2	4.3	7.0	3.4	5.6
\$200,000-\$500,000	49.0	21.3	6.3	7.1	7.8	4.5	4.0
\$500,000-\$1,000,000	50.5	21.8	6.0	6.6	6.2	5.1	3.8
Above \$1,000,000	45.8	20.0	8.5	10.0	6.6	6.1	3.0

In planning future sales, allowance should be made for increased business due to normal growth of population and improvement in local business conditions. Also, most store records are maintained in dollar figures, and corrections must be made for basic price changes. Finally, in some departments of the store, the style element will materially change the sales volume, as, for example, when some style ceases to be accepted and there is no immediate substitute.

Having arrived at a general estimate of sales, the next step is to estimate what portion of this total is to be obtained each month. Again, the importance of past records is realized, for they make it possible to study sales by months. In men's wear sales, the seasonal variations are readily noted. Two corrective factors must be allowed for in these monthly sales figures, namely, the different dates for Easter and the fact that special

^a *National Retail Clothier*, March 22, 1928.

sales may artificially inflate monthly sales figures. Many retailers also find it worth while to study daily sales. A selected group of stores found their daily sales were distributed as follows:

Monday	14.45%
Tuesday	16.64%
Wednesday	14.70%
Thursday	16.49%
Friday	14.56%
Saturday	23.14%

Sales planning is fundamental to the budgeting of stocks and expenses. These problems are considered in later chapters. The principles of planning should also be applied to sales promotional activities, that is, the merchant should operate on a budget of sales ideas. As will be noted in the next chapter, this applies with equal force to advertising.

It may be helpful here to give some illustrations of ways of practical application of sales planning. Special sales should be carefully planned well in advance. The sales promotion of such events as Father's Day, commencement time, Easter, Christmas, and events of local interest should show the results of adequate prearrangement. Many sales campaigns are ineffective because of hasty preparation. This forward-looking planning of sales events may properly extend even to years, seasons, weeks, and days. There is no event but has its sales possibilities. A helpful device in expediting a sales program is the sales calendar, forecasting possible opportunities and reminding of current happenings. Possibilities of sales planning principles develop as one tackles the job of increasing sales. These will become evident in the discussion we now begin of selling problems.

Selling Problems

The selling problems of a store are concerned, for the most part, with increasing sales. Sales may be stimulated by addition of extra lines, use of special sales, development of new

markets, building up departments which are on the decline or have been unprofitable, and by cooperative selling. Salesmanship, as a sales promotional force, has just been considered, and advertising, another sales promotional force, is taken up in the next chapter. Other selling problems have been analyzed in the discussion of consumer demand, fashion, fit and size, and store location and stock arrangement. In fact, selling is one of the broad problems of distribution. It thrusts itself into all problems and discussions, and cannot be limited to the confines of a single chapter.

Extra Lines—Because of the falling off of sales in certain departments, and the seasonal nature of many items of men's apparel, retailers of men's apparel are continually finding it desirable to add extra lines. In other circumstances, they are used to secure the most economical utilization of floor space and selling organization, and the enjoyment of the greater returns that accompany goodwill and a superior location. The use of extra lines is also a recognition of the marked tendency of the women of the family to assist husbands, sons, and brothers in making purchases. This state of affairs often makes it easy to sell some item of women's wear. Gift departments, in men's apparel stores, are also a profitable source of additional sales. Such a department may be merchandised not alone in the holiday season, but the whole year round. In the men's apparel trade, especially, the inadequate facilities of the town may furnish opportune chances to clothing and furnishing stores in the way of adding extra lines not so well nor so easily obtained in other stores. It frequently happens that women will patronize a nearby trading center because of poor shopping facilities at home. A certain amount of men's wear trade as well is thus lost to the home locality. To meet this situation, progressive retailers in men's apparel have been quick to put in an attractive line of women's ready-to-wear, etc.

To the small unit clothing store the question of extra lines is in part a problem of determining in what items the most business can be done. For example, the addition of a shoe department has enabled many small town retailers to maintain volume which was lost in other lines to the trading centers. The extra department is a recognition of the problem of overlapping trading areas.

Among the permanent extra lines taken on by retail clothiers and furriers are luggage and leather goods, women's ready-to-wear, women's hosiery and gloves, smoking accessories, and sporting goods.

The National Association of Retail Clothiers and Furriers has made studies of leather goods, luggage departments, and shoe departments. Some of the results of these studies form the basis for the following discussion.

1 LEATHER GOODS AND LUGGAGE Three hundred and twenty retailers out of 381 replying to the investigation reported that they carried leather goods and luggage. Among the items carried were all sorts of baggage ranging from wardrobe trunks to automobile luggage. In addition to these items such things as bill folds, pocket books, key cases and purses were carried. The percentage of total sales going to the luggage and leather goods division ranged from $\frac{1}{2}$ of 1% to 25%. The majority of cases fell between 2% and 10%. The average maintained markup, based on selling price, ranged from 33% to 40%. These facts indicate that leather goods and luggage are profitable departments and offer possibilities of increased sales.

2 SHOE DEPARTMENTS OF RETAIL CLOTHING STORES In analyzing over 300 replies it was found that a larger number of clothing stores carry dress shoes than carry work shoes or boys' shoes. The size of stocks carried ranged from \$400 to \$66,000, in the majority of cases falling between \$2,000 and \$13,000. The annual volume of business done in the shoe

department ranges from \$2,000 to \$122,000. The majority of the retail clothiers consider their shoe department a profitable one. The markup in the shoe department ranges from 28.1% to 40%. The average markdown is estimated to be around 4%.

These goods are examples of extra lines which have been profitably merchandized by retail clothing and furnishings stores. No organized study has been made of the success of certain items of women's apparel handled as extra lines by retail clothiers. Observation of a few cases, however, indicates that a fair margin of success may be attained in these fields. The important problem for the retailer in considering an extra line is to make sure that an adequate market exists before he installs it. This can frequently be ascertained by a check-up on the items which customers go out of town to purchase.

Special sales are properly considered, first, as a phase of sales promotional activity, and second, as an aspect of pricing. Despite the retailer's stated dislike of special sales, they more often savor of some form of sales promotion. For that matter, certain aspects of pricing, such as cut prices and odd prices are objectively sales promotional. Hence a discussion of special sales at this time is appropriate.

Special Sales—Special sales are utilized in any line of retailing where the seasonal element and the style factor are important. Retail clothiers continually express the wish that special sales could be eliminated, and yet, so long as these factors persist and the nature of retail competition remains as it is, it does not seem possible that special sales will be eliminated for some time to come.

The greater part of the material for this discussion is based on a study made by the writer of "Special Sales of Retail Clothing Stores." This study was a part of the general survey on markdowns referred to above. Information on special sales was received from 300 retail clothiers and furnishers. Use

was also made of E. L. Grether's "Special Sales in Retail Merchandising" (University of Nebraska, Studies in Business, No. 19)

In view of the primary facts at hand it is apparent that few merchants have kept records of special sales. The studies referred to above are principally collections of business experiences, rather than quantitative facts. In general, however, retail clothiers do know why they hold sales, the portion of their annual sales volume which results from special sales, their policy as to markdown during the sale, and the effect of the sale on the store.

A special sale may be defined as "a store floor, or departmental event, advertised to the public in a manner to make it believe that it would derive some special benefit by attending."⁴ It is to be noted that this concept of a special sale does not refer to the current markdowns, which are a part of the regular policy of many stores. Special sales, as here defined, are special events, receiving special advertising and sales attention.

I. REASONS FOR HOLDING SPECIAL SALES The reasons for holding special sales were ascertained in both the study by the author and the survey made by the University of Nebraska. The reasons as given in these two studies differ but little. Below are the reasons for special sales as given by 300 members of the National Association of Retail Clothiers and Furriers.

- 1 End of season clearance
- 2 To move slow-moving stock
- 3 Special purchase of goods
- 4 Because competitors do
- 5 To promote sales
- 6 To make room for new stock
- 7 To get cash
- 8 Because customers expect them
- 9 To tone up store organization

⁴ University of Nebraska Bulletin No. 19

These reasons for holding special sales reflect the seasonal nature of the clothing business and the competitive conditions existing among the various retail groups. Thus, many retailers report that they hold special sales because their competitors do, others hold sales because of the seasonal element and the style factor present in the clothing and furnishings trade. In some cases, special sales are held because the retailer has been able to secure merchandise at a low price from the wholesale distributor, and feels that the special sale thus made possible will improve the competitive status of his store. Manufacturers and jobbers are compelled to adjust their merchandising practices to retail sales conditions, and it is a common practice for the wholesale distributor to give special assortments at special prices in order to help out the retailer.

2. **ELIMINATION OF SPECIAL SALES** The influence making for special sales seems to arise in the retail market, and if there are any evils in this merchandising practice, the remedies must be retail remedies. The survey of members of the National Association of Retail Clothiers and Furnishers brought out several suggestions for the elimination of special sales. Listed in the order of importance these are:

1. Improved buying methods
2. Trained sales force
3. Stock control
4. Maintenance of uniform markup
5. Customer education against special sales idea
6. Cooperative effort of retail associations

These suggestions fall into two general types: first, those directed against internal conditions in the retailing of men's wear, and second, those directed against competitive conditions. Somewhat in between is the suggestion that special sales are necessary, but that many of the evils might be minimized if retailers would get together on the dates for holding special

sales, thus avoiding the competitive disturbance which follows when one retailer puts on a sale considerably in advance of what might be termed a normal season sale.

The retail clothing business is annoyed by the presence of so-called "sales stores." In some of the larger centers, a retailer may operate a store which perpetually advertises a "special sale." To make this program more effective, they sometimes move to various locations. This practice should best simply be ignored by legitimate, progressive retailers. In other instances, special sales are continually staged by stores which serve as distress merchandise outlets for some large retail establishment. This practice is not as yet sufficiently developed to offer a serious threat to retailers of men's apparel.

In both the Nebraska study and the study of the retail clothiers, the information as to the percentage of the total volume sold by special sales was inadequate. In the Nebraska study, 14 stores supplied information on this point, and in the retail clothiers' survey, 91 stores gave information on this point. In the Nebraska study the arithmetic average was 10.5%, and the range per cent was from 1% to 30%. In the study on retail clothiers, the arithmetic average was 10% and the range per cent from 1% to 16%.

A special sale does not necessarily mean that goods are marked down, in some instances, certain items are marked up. The latter is not a general practice. In most cases, a definite price inducement is offered to the public. Practically all the stores that replied in the retail clothing survey, reported that their greatest markdown was taken during special sales events. The extent of this markdown could not be ascertained. However, the Nebraska study gives an average markdown of 24% on men's furnishings. The original sales price equals 100%. Another study gives a markdown of 18.2% on men's wear during special sales.⁵ It is evident that a loss will result unless

⁵ University of Ohio Business Study quoted in *Domestic Commerce*, February 11, 1929.

this markdown is balanced by the movement of a considerable volume of other goods at regular prices

In the retail clothiers' survey, 75% of the stores replied that special sales were cash sales. This condition indicates that special sales are often designed to attract new customers to the store and to appeal to a certain class of "floating trade" which responds to special price offers.

A few retailers make use of "special sales companies," that is, concerns which make it their business to put on sales for retailers. These concerns take a commission ranging from 5% to 10% of the sales volume during the sales period. Frequently these companies attempt to collect past due accounts during the sale period. Less than 8% of the retail clothiers surveyed made use of the special sales companies. In the Nebraska survey, 12% of the stores interviewed had had some experience with them. From field observation, it seems that the majority of the stores making use of special sales companies, do so under the pressure of a need for immediate cash. Much of the advertising of the special sales company as directed to the retailer, features this "immediate cash" as the selling point to be used by the sales company. They likewise stress the fact that the sale can be put on without any injurious results. Others who use special sales companies do so because they are going out of business, and they attempt to close out their stock by this high pressure sale rather than by private sale. Some criticism has been centered against the special sales companies, in that they do not adapt their advertising to local conditions, but operate on a standardized plan sent out from headquarters.

In the retail clothing survey, 136 out of 170 stores regularly holding special sales, did not favor them and 94 of this number stated that special sales had a bad effect on business. In the Nebraska investigation, only 9% of the stores expressed an opinion favorable to increasing the number of sales. The

rest would not only prefer to hold fewer sales, but in practically all cases they had very decided reasons for opposing their use. The reasons given for preferring fewer sales are summarized in the Nebraska study as follows:

1 Sales lose money. Sales result in taking markdowns in stock and require considerable additional advertising and selling expense. The result obtained does not vary in proportion to additional expenditures.

2 Sales have a bad effect upon regular business, if a store does a big business during a sale, it will be because of a slack spell before the sale, and the sale will be followed by another slack spell. Customers are educated to wait for sales. Retailers are constantly—even if unwittingly—educating the public to pass by regular day-by-day values for sale value.

3 Sales destroy public confidence. Competition leads stores to make more and more extravagant claims for their sales. Again customers are really offended by the price fluctuation that comes with special sales. It is difficult for the consuming public to understand why a garment will sell for one price on one day and for a price 20% lower the next.

4 Sales have a bad effect upon the store. Some retailers pointed out that a store that holds a great many sales tends to lower its reputation. The store that definitely goes on a sales basis is bound to build up more middle and lower class business, and hence undermine any reputation it may deserve for exclusiveness and high-class patronage. The chief ill effect upon a store arises when quality of merchandise handled is lowered. Finally, special sales have a bad effect upon a store in that they tend to influence the salespeople to talk price rather than quality and style.

5 After a sale it is difficult to get back to normal business conditions. Any of the various evils that may develop as the store continues to have sale after sale are apt to place it in a position where it will be difficult to get back to its regular basis of merchandising. A store that has taught its customers to regard it as a fine place to buy specials, is apt not only to lose the business of those who are buying between sales but is also likely to find it difficult to get along without the sales stimulant.

Many of the retailers investigated in both studies do not hold special sales. Seasonal markdowns of course were taken, but no sales event was given publicity. The conditions which render it practical not to hold special sales seem to hinge on the size of store, class of trade, and store policy. Many of the smaller men's furnishing stores do not find it either necessary or advisable to hold special sales. Likewise, those stores that make a distinctly class appeal, do not use special sales. Finally, many retailers have built up a successful business on a no-sales program, and it is therefore a part of their store policy to avoid special sales.

If conditions make it desirable to conduct sales, the following points should be observed in order that some of the abuses of sales may be remedied and that the efficiency of sales may be increased:

- 1 The store reputation should not be impaired by a special sale
- 2 Sales should not be overdone. There is bound to be an increase in sales resistance if the same method is applied too often.
- 3 The results of the sales should be checked carefully. Without a doubt, sales would be less frequently used if an adequate check of the results were made.
- 4 Sales should offer real values. And this does not refer to values created by comparative prices.
- 5 If a sale event is to be a big one, it should be planned in advance. This is especially true as to the advertising, display, and selling methods involved.
- 6 In advertising the sale, it is wise to give it a name that will state a reason for the event. In the retail clothing survey, 90% of the retailers so advertised their sales.

In summary, it appears that special sales are a part of the retailing of men's apparel and that, if they are to be eliminated or their evils lessened, such effort must come from the retailers themselves. It is curious that so many retailers oppose them

and yet fail to come to any agreement as to their elimination or reduction in number. Why retail clothiers should be in business to educate the consumer to the use of special sales is beyond the grasp of intelligent merchandising. Seasonal mark-downs are one thing and special sales another. The latter certainly are a much criticized phase of retailing.

Not only may sales be increased by special sales, but new markets may be developed. In the sales promotional scheme, special groups may be appealed to. In recent years, for example, college trade has been an objective because of the many instances where the retailer's selling problem has been dominated by a market group, such as a group of university men.

Developing College Trade—College trade is a threefold problem. The local retailer in college communities is obliged to hold his own against outsiders who seek the college trade. The retailer in non-college towns is anxious to outfit the young men of his community before they return to college. Finally, the wholesale distributors have been forced to cooperate with the retailer in order to develop and to hold the college trade.

For many years, in the eastern college cities, the development of university business was left to outsiders. At last the local merchants began to recognize the possibilities of this market, and to press manufacturers for assistance in developing college styles and college trade.

Today, the business is shared between the outsiders and the local merchants. The activity of outsiders is typified by retail concerns of New York, New Haven, and Philadelphia, which send their representatives to the college town. These men display their lines in local hotels, cigar stores, clubs, and fraternity houses. Their sales strategy is unique, since no attempt is made to "sell" the student, rather he is allowed the informal freedom of casually looking over the display and selling to himself.

Retailers in college towns at first attempted to meet this competition by organizing merchants' associations and by bringing pressure on town councils to prevent outsiders from coming in. This procedure was not effective, and eventually gave way to competition in the form of definitely attracting the college student into the retail store. Salesrooms were arranged so as to give a college atmosphere and to present the exterior of a club room rather than a clothing store. Well-known college students were employed, student opinion was secured in the buying of merchandise, the manufacturer cooperated by sending special representatives to assist retailers in college towns. All of this helped to enable the merchant in the college town "to hold his own." Moreover, it is of course not advisable to overemphasize the college trade, since so doing may result in loss from other profitable sources.

There are other markets in process of development by retail clothiers. Sales to farmers, the attempt to fit irregular body types, the outfitting of athletic teams, of chauffeurs, and other uniformed types are examples of this tendency to reach out for new markets. Many retailers employ "contact" men who are constantly on the alert for new sales possibilities.

Old markets may be vitalized by analyzing the problems involved, and correcting them. The boys' wear department is an example of a department that, in most stores, needs building up.

Merchandising the Boys' Department—Merchandising the boys' department has always been a serious problem for retail clothiers and furnishers. The problem for the retail clothier has been intensified by style changes in boys' clothing and by the fact that department stores have been better able to maintain a boys' department. This success on the part of department stores is no doubt due to the fact that women are the chief shoppers for boys' apparel.

An investigation of boys' wear merchandising made in 1928, indicated that many stores had either discontinued their boys' departments or were operating them without profit and in some cases with a loss. According to this investigation, the boys' department contributed about 13% of the total annual sales. Considering the boys' department as a whole, about 40% of the sales are made in furnishings and hats, and the remaining 60% in boys' clothing. No estimate was secured for boys' shoes, as many stores that were selling boys' clothing and furnishings did not carry boys' shoes.

Based on retail selling price, the average markup maintained in boys' department was 34%, and the average markdown was 6.6%. In individual cases, excessive markdowns had to be taken, so that this average figure somewhat obscures the real situation.

A study of the location of the boys' department in the store was included in this survey, as location is a factor in the successful merchandising of the boys' department. Invariably, those stores maintaining a special floor or section for their boys' department enjoyed a more rapid turnover, with a higher maintained markup.

As to advertising the boys' department, the newspapers and direct mail were used the most. However, nearly 50% of the stores used such schemes as boys' clubs, special sales, radio talks, subscriptions to the *American Boy* magazine, and catering to the Boy Scouts as a means of stimulating the boys' business.

The boys' market is made up of three age groups: 9-11, 12-14, and 15-17. Over one-third of the sum total spent for boys' wear is concentrated on this age grouping. The price of boys' suits does not vary in relation to it. It is highly probable that sales might be stimulated by grading the price intervals according to the age groups.

It is estimated that, for boys aged 9-14 inclusive, 1.3 suits per year are purchased, and for boys aged 15-17, 1.5 suits per

year are purchased. The selling problem of the individual store is one of increasing sales in boys' wear. Several methods of doing this may be noted:

1 **Location and Equipment** Establish the department in a place of its own, that is, give it a section on a floor by itself, entirely apart from all other departments. Locate the department so that it is convenient to the mothers. Build the department with fixtures and arrangements that will compare favorably with the best men's department in the store. Do not think that, because it is a boys' department, it need not be as carefully equipped and outfitted as the men's department.

2 **The Personnel** Place the department under the direction of a manager who knows boys and how to appeal to boys, and in the hands of salespeople who have nothing else to do but sell boys' clothing. Do not permit the department to be operated by salespeople who give it their spare time from other departments. Select the stock through a capable buyer, who knows what the boys want and what is best likely to appeal to them.

3 **Display** Feature merchandise in interior displays. Give the department the same complete window displays as are given to other departments. Do not subordinate it beyond a proportionate volume of business to any other department.

4 **Sales Promotion** Give the department a fair and proportionate amount of the newspaper space used by the store. Employ direct mail advertising. Boys are particularly pleased when they receive mail. Employ feature stunts—contests—clubs—and other features that have been successfully tried and proved as to their appeal to boys. Plan the boys' business campaigns sufficiently far ahead to make them complete and intelligent in their appeal.

One manufacturer has made a market survey for boys' clothing, which indicates the relation between population, potential sales and average sales volume, and the relation between volume and stock.⁶ An estimate of the distribution of sales according to price ranges is also given. This price distribution differs from the one previously mentioned because more cases are included and the conclusions are stated in a more precise

⁶L. J. and C. D. Jaffee, Inc., New York.

manner (The results of this market survey are graphically portrayed in Appendix B, Figures 12, 13, and 14)

Cooperative Retail Selling—Sales promotional activities are developed, not only by individual stores, but by groups of stores in a given locality. These group selling events are to be distinguished from the nation-wide activities of trade associations and the cooperative selling plans of wholesale distributors.

The motives leading to cooperative selling on the part of retail clothiers and furnisheers may be listed as (1) competitive conditions, (2) trade evils, and (3) desire to increase sales.

As a local activity, cooperative selling takes the form of seasonal openings, such as "Straw Hat Day," seasonal style displays, and such schemes as "Dollar Days."

Retail clothiers also cooperate in setting dates for special sales or in the abolishment of special sales, in this way eliminating what may become a trade evil, while at the same time increasing sales. Retail clothiers, sensing the competition of department stores, have cooperated on campaigns carrying the slogan "Buy Men's Wear from Men's Wear Stores."

These cooperative selling events are often accompanied by joint advertising efforts of an educational nature. In illustration—the Milwaukee shoe retailers engaged in joint merchandising efforts with the idea of educating the public "How to wear shoes." Retail clothiers in various cities are attempting to educate the consumer as to the value of being well-dressed.

Much of this cooperative activity is purely temporary, and for the purpose of carrying out some one particular campaign. Steady cooperative selling among retailers is seldom advisable.

In analyzing many of these local selling campaigns, it was observed that frequently the large institution and those making a "class" appeal, did not participate in the local cooperative event. These stores were, however, affected by the cooperative selling activities of wholesale distributors and national trade associations.

In summary, it may be said that local cooperative selling events are of only intermittent importance. The real possibility in this field lies in the development of cooperative selling activities where the entire industry combines in a selling campaign.

Cooperative retail activities sometimes comprise within their scope the problem of merchandise returns. Retailers in some cities combine to study the causes of merchandise returns and to educate the customer to the proper use of the return privilege. Although the causes of merchandise returns range from producer to consumer, the return privilege is generally a part of the selling policy of the store. Its discussion therefore naturally follows the presentation of the selling problems.

Merchandise Returns

Into the question of merchandise returns are woven problems of over-selling, lack of size standardization, increased operating expenses, and problems of training salespeople. It is thus a problem with cumulative effects. The amount of purchases which are returned depends to a large degree upon the customers' feelings regarding the ease with which returns may be made. A well advised return policy will, therefore, include some program for consumer education.

A wide divergence of policy exists among retail stores with regard to return merchandise, some allowing almost unlimited return privileges, on the policy that the customer is always right, while others have succeeded in placing more or less definite limitations on the practice.

Causes of Merchandise Returns in Men's Apparel Trade

In a recent study of merchandise returns, the principal causes for the return of goods were as follows:

Wrong size asked for	38.16	Wrong size sold	3.09
Customer change of mind	19.03	Customer mistake in ordering	2.77
No reason stated	13.75	Other imperfections	1.78
Sent on approval	11.40	Unclaimed	1.17
Wrong color	3.97		

Tearing	1 09	Shrinking	24
Wrong size marked	1 00	Over- or under-shipped	23
Delivered damaged	65	Spotting	10
Ripping	58	Wrong address	10
Fading	54	Stretching	04
Delayed delivery	31		

Wrong size asked for is obviously the most important factor in the return of men's and boys' ready-to-wear. A part of this problem is a direct result of the policy of manufacturers in making undersize and oversize garments. This is truer in the case of boys' wear than men's wear. In boys' wear 47.5% of the returns are traceable to the cause "wrong size asked for." Quite clearly both customer and store should exercise more care in fitting boys' suits. In the case of boys' underwear, 65.5% of the returns are due to "wrong size asked for." Here again manufacturers can assist by a standardization of sizes and a more definite correlation of size with age. Without doubt, the customer shows less efficiency in the purchase of boys' wear than in the purchase of any other type of merchandise.

In men's wear, particularly suits, the size factor is not so important. The chief reasons for returns here are "sent on approval," "change of mind," "no reason stated," and "unclaimed." The same reasons are also given for men's topcoats, overcoats, robes, and smoking jackets, although size is a more important factor here than with suits or overcoats. It should be noted that when "approval" is given as a reason, almost invariably the merchandise has a relatively high unit value. A considerable degree of doubt as to the wisdom of a higher price purchase seems to prompt the customer to ask for approval privileges. Also, with the higher price purchase, the customer feels freer to exercise this privilege.

Size reasons account for the return of 35% of men's shirts. In buying men's socks and ties, wrong color is given as the most frequent reason for return.

Responsibility for Return—It is, of course, difficult to allocate responsibility for the return of merchandise as between dealer and customer. However, a rough classification may be made, based upon the reasons given by customers in returning purchases.

TABLE 13 CLASSIFICATION OF REASONS FOR RETURN IN
TERMS OF RESPONSIBILITY

Customer Responsibility	Dealer Responsibility	Unallocated
Wrong size asked for Change of mind Unclaimed (will call) Mistake in ordering	Wrong size sold Wrong size marked Sent on approval Wrong color Merchandise im- perfections Delivery reasons	No reason stated

On this showing, relative responsibility for the return of men's and boys' ready-to-wear is as follows:

Customer	61.12%
Dealer	24.13%
Non-Allocable	14.75%

Return Policy—The majority of clothing stores do not maintain a definite policy regarding merchandise returns. Even though a special policy may be announced, special problems arise that make each case an individual problem. Retail clothiers have been aided in their return problem by State and City Departments of Health, which have established uniform regulations preventing the return of certain articles of personal use. Local retail associations and chambers of commerce have also been instrumental in assisting the retailer in this problem of merchandise return.

A closer study of the market by the manufacturer, greater care in selling by the retailer, and more accurate buying by the customer should go far toward remedying the situation. Re-

turns are not infrequently a result of over selling of merchandise and of competition among merchants in offering this service to the customer. The solution of the return goods problem is to be found in an analysis of causes of returns and in the cooperation on the basis of these data, of consumers, retailers, and manufacturers.

The Exclusive Agency

The exclusive agency has certain of the aspects of a price, a buying, and a selling problem. The retailer, however, generally enters into an exclusive agency agreement because of its selling advantages. The desirability of the exclusive agency depends upon the product more than upon any other single factor. It is, therefore, used almost altogether in the distribution of higher grade clothing and furnishings.

The exclusive agency agreement is that whereby one retailer in a city or in a single section of a large city is accorded the sole privilege of selling merchandise bearing the manufacturer's brand. In the clothing trade it is customary for the manufacturer of popular trade-marked goods to use the exclusive agency system.

The terms of the agreement vary in detail. The essential feature of the agreement is that each manufacturer agrees to refrain from selling merchandise under his brand to directly competing stores. The agreement occasionally stipulates that each retailer shall carry no competing brand of merchandise and there is, frequently, the tacit assumption that a certain price will be maintained. From a standpoint of merchandising policy, the stipulation that each retailer shall carry no competing brand cannot always apply to the retailing of men's apparel. Retailers carry competing brands of men's clothing in order to appeal to the various strata of demand. The line carried under the exclusive agency is featured, and the store generally endeavors to build up a reputation for this brand rather than for the others that it may carry.

Advantages of the Exclusive Agency to Retailers—

1 The arrangement prevents price-cutting on identical goods. It makes possible the maintenance of a price that will yield a reasonable margin of profit. Because the product is exclusive the consumer has little opportunity to shop around for a close comparison of prices.

2 The dealer who obtains the agency realizes that the line is worth promoting. The elimination of parallel goods makes possible concentration of sales effort.

3 It makes for a feeling of security against competition. The agent is the sole beneficiary of the manufacturer's advertising in that territory, and this assures a certain volume of business. People who desire such goods must come to the retailer agent, so long as he is the sole representative in their distribution.

4 It promotes repeat sales. Once trade has been developed for such products, it cannot readily be diverted to competitors. If a consumer becomes satisfied with a certain brand of clothing, he will seek out the dealer handling them whenever he is in the market for additional clothes, and there is little danger that such trade will be lost easily to retailers of other brands of clothes.

5 It tends to develop business in associated lines. Sales of the exclusive line establish connections and create goodwill, resulting in trade for other items carried in the store.

6 The reduction in the number of items carried, resulting from the policy of carrying relatively few lines of merchandise, makes for greater sales of the exclusive lines and for a concentration of purchases. (The advantages resulting from concentrated buying will be discussed in more detail in subsequent chapters.) The agent thus becomes a preferred customer, securing quantity discounts and better service from the manufacturer.

7 An elimination of duplicate stocks reduces many items of overhead and increases turnover. It prevents overstocking and reduces losses incident to price fluctuations and style depreciation.

8 If a line is selected which has been widely advertised, the resulting goodwill benefits the retail distributor and enhances his prestige.

Disadvantages to the Retailer —

1. Confinement to one line is apt to limit his sales possibilities in his trading territory.

2. There is also a possibility of overstocking for the quota usually set by the manufacturers who so distribute their stocks, are frequently larger than can be absorbed by the market the retailer serves.

3. It becomes more difficult to meet price-cutting by competitors, since manufacturers operating on this basis usually stipulate resale prices, from which it is inadvisable to deviate.

4. This policy invites criticism and increased effort of competitors in the sale of parallel lines, on which they may have secured the right for exclusive distribution. As a result of such keen competition, anticipated volume may not be realized.

5. Perhaps the chief disadvantage consists in the possible termination of the arrangement on the initiative of the vendor or in the failure to specify the exact territory within which each agent is to have exclusive rights. The agency may sometimes be withdrawn from one agent and transferred to another who is supposedly better qualified to render satisfactory service. Moreover, there is the danger that the exclusive agency plan may be used by the producer as a means of breaking into the market and securing initial distribution. Once the line becomes well established in the public mind, the exclusive sales privilege may be withdrawn. It must be noted, however, that once a retailer has built up a large personal following, the withdrawal of a line may not react so unfavorably as might be supposed. The wide use of institutional advertising is a factor minimizing this danger.

Unless a clear understanding is reached on this point in advance, there is danger that friction may arise, as was exemplified by the controversy between B. Kuppenheimer Company and Vogel & Co., in New York City in 1917. Vogel & Co. operated a store on 125th Street in the Harlem district. This company for ten years had featured Kuppenheimer clothing for the following spring season. Vogel & Co. for a time had not advertised Kuppenheimer clothing in the newspapers, but after

Brill Brothers took on the Kuppenheimer line, Vogel & Co also began to advertise the brand in newspapers, and a controversy ensued.

From the foregoing, it is apparent that the retailer should consider thoughtfully before entering into an exclusive agency agreement. He should analyze the line or brand in question, the competition, the potential market, and should study the contract. He must also remember that, as a retailer, he would get little benefit from carrying an exclusive line with which people were not or could not become familiar.

Summary—Every one of the numerous phases of retail merchandising affects selling, so it is quite impossible completely to analyze salesmanship and selling problems in a single chapter. Selling begins with the initial location and layout of the store, and extends through all the service features of the establishment.

This chapter has set off for separate discussion personal salesmanship, and such selling problems as planning, sales promotion, and the other problems that arise from such policies as merchandise returns and acceptance of the exclusive agency.

A creative and productive selling program must begin with an organized plan. Sales planning analyzes sales, and, based on this analysis, forms an operating policy, which extends through all the sales promotional activities.

The selling problems, or problems of sales promotion, are a selected group of problems presented in a number of investigations made in the retail clothing trade. In every instance, the importance of planning is apparent. It is further evident that the solution of these selling problems depends on an analysis of consumer demand.

Merchandise returns reflect the selling policy of the store. Many of the causes of merchandising returns are to be traced to the activities of salespeople. Other causes concern the man-

ufacturer, the store itself, and the consumer. Cooperation is needed to eliminate the evils associated with returned goods.

Another policy of the store, which is a part of selling effort, is the exclusive agency. Patronage often follows identification of the store as the exclusive agent for the distribution of some well-known commodity. Certain advantages and disadvantages inhere in the exclusive agency business, and the retailer should exercise care before entering into a contract of this type.

CHAPTER 12

ADVERTISING AND DISPLAY

Advertising is a part of selling strategy, and includes non-personal methods of stimulating or maintaining sales. Advertising finds expression through such media as newspapers, magazines, street car cards, store signs, window displays, the radio, and so on.

The principles of personal salesmanship apply in large measure to the utilization of advertising for sales purposes. Discrimination in choosing appeals is essential both for personal and impersonal sales work. Advertising is more standardized, however, and is addressed to customers as a mass.

Advertising is probably more essential to the retailer than to any other agent of distribution. The retailer can not personally solicit, he must wait for a customer to come into the store. To bring the customer into the store is, then, one of the principal functions of retail advertising.

The general nature of the retail advertising of men's apparel is conditioned by the type of market which the particular store is attempting to serve. For the type of market determines to a large degree the appeals and the manner of their presentation. Chain store advertising and department store advertising differ somewhat from the advertising of the unit clothing store. Price, economy, and the appeal to women as shoppers characterize the advertising of these store types.

The problems of retail advertising are the same as those in any other field of advertising. They consist mainly in determining the market to be reached, the advertising appropriation, the media, appeals, and related problems. To be effective, the

advertising program should be planned in advance, a six months' program is a satisfactory basis on which to work. In the men's apparel trade, there is a problem as to whether or not goods difficult to sell should be featured or should goods for which there is a demand be emphasized in the advertising. The present policy in the clothing trade is to feature in the advertising commodities for which there is an active demand. After the customer is brought into the store by this advertising, it is the function of personal selling to call to his attention other commodities that have not been advertised.

Only the larger clothing stores maintain separate advertising departments. In smaller stores, the owners or one of their salesmen, have charge of the advertising. In either case, the opinion of buyers and salesmen is utilized in preparing the copy. Advertising is a non-specialized function in most stores, and, because of this fact, much retail advertising is ineffective. To be effective, retail advertising should be planned in advance and coordinated with the merchandising policy of the store.

It is the object of this chapter to consider the advertising problem of the retail clothier and furnisher, including window displays. The material is taken up in the following order: (1) the advertising appropriation and its expenditure, (2) advertising media, (3) functions of advertising, (4) appeals, (5) advertising research, (6) the use of dealer helps, nationally advertised goods, and private brands, (7) criticism of retail advertising, and (8) displays. Considerable material here presented was secured by the author in a survey of advertising expenditure and policy in retail clothing stores in 1928.

Advertising Appropriation and Its Expenditure

How Much to Spend—No matter how small the store, the amount spent for advertising should be appropriated six months ahead, or, better yet, for the entire year. This may be an arbitrary sum, or it may be a certain percentage of the next

year's anticipated sales. The most common expenditure for retail advertising is in the neighborhood of 3% of sales. If a store anticipated sales of \$60,000 for the coming year, \$1,800 would be the amount to be spent for advertising over the period of a year. Annual sales totals over a period of years form a good basis upon which to estimate the advertising appropriation. By comparing several years' sales, the growth element is more accurately reckoned. The appropriation based on sales may be combined with the budget plan, by which a certain definite amount will be determined upon so that emergencies and unforeseen fluctuations in the volume of business may be properly met. Finally, the competitive situation in retailing today suggests that the appropriation be adjusted to the sales resistance that is to be encountered during the year when the specific expenditure for advertising is made.

Expressed as a percentage of total sales, the advertising expenditures for clothing stores were secured for the six-year period 1923-1928, inclusive. The general tendency is for the percentage expenditure to increase as we go from the smaller to the larger stores. The exceptions to this tendency are stores doing a business of \$50,000 to \$99,999 per year, whose advertising expenditures are less than stores doing an annual business of \$25,000 to \$49,999, likewise, stores whose annual sales volume is from \$500,000 to \$999,999 spend less for advertising than stores whose annual sales range from \$250,000 to \$499,999. The complete results of this study are given in Table 14.

TABLE 14 PERCENTAGE OF TOTAL SALES APPROPRIATED FOR
ADVERTISING IN SIX YEARS

Annual Sales Volume	1928	1927	1926	1925	1924	1923
I \$25 000-\$49 999	2.93	3.33	3.03	2.89	3.03	2.66
II \$50 000-\$99 999	2.42	2.18	2.32	2.27	2.36	2.28
III \$100 000-\$249 999	3.42	3.44	3.17	3.0	3.26	3.14
IV \$250 000-\$499 999	4.0	4.07	4.14	3.82	4.23	4.04
V \$500 000-\$999 999	3.5	3.85	3.35	3.13	3.28	2.83
VI \$1 000 000 and over	4.96	5.02	4.62	4.36	4.34	4.1

The expense elements of the appropriation are salaries, direct mail, newspapers, outdoor, window display, programs, miscellaneous, gifts and donations, and other costs (specialties). In some stores the major departments bear a proportionate burden of the advertising appropriation, the major portion is charged to clothing and furnishings. Clothing stores vary as to the number of major departments, Table 15 below is organized on this basis.

TABLE 15 PERCENTAGE OF ADVERTISING APPROPRIATION BY DEPARTMENTS

Stores with more than 5 Main Departments		Stores with 5 Main Departments		Stores with 3 Main Departments	
	%		%		%
Men's Clothing	37.74	Men's Clothing	47	Men's Clothing	66.97
Hats and Caps	7.28	Hats and Caps	9	Hats and Caps	14.83
Men's Furnishings	12.71	Men's Furnishings	18	Men's Furnishings	20.2
Shoes	8.61	Shoes	6		
Boys' Clothing	19.69	Boys' Clothing	20		
Other Depts.	13.97				
Total	100	Total	100	Total	100

When to Spend It—After the amount to be spent has been determined upon, the appropriation is apportioned by months. The amount of sales per month is probably the best basis upon which to determine how much of the total appropriation should be spent each month. The importance of a sales analysis is well illustrated by this procedure. December is probably the biggest month for the average retail store. If the sales in this month represented 15% of the total year's business, then 15% of \$1,800, or \$270, would be approximately the amount to be set aside for December advertising. The amount would ordinarily be reduced in January, and still more in February, show a slight rise during the spring months, drop off again in summer, and increase again during the fall and early winter until the peak is again reached in December.

Next, it is necessary to divide the monthly appropriation into weekly expenditures, and then, if the advertisements are to be run in the daily newspapers, to determine how much should be spent each day. This will determine the size of advertisement that is to be run.

Several things may enter into the choice of the day on which to advertise. In smaller cities where large numbers of shoppers come in from the surrounding country on Saturday, the Friday afternoon papers and Saturday morning papers will carry many advertisements of interest to them. The percentage of weekly sales by days given in the preceding chapter should be of interest at this point.

Other factors peculiar to local conditions have considerable importance in the selection of the day on which to advertise. If the activities of the city are mostly industrial, and pay day for the large number of workers comes on a certain day, space should be taken in the local paper on the day when readers have the most cash in hand. The law effective in some states that workers must be paid on the first and the fifteenth of the month causes retail advertisers to arrange their schedules so that larger space is taken at these times.

It is more or less apparent that retail advertising is influenced by the seasonal variations in business. In the survey by the author, retailers reported an increase in the ratio of advertising to sales as general business conditions became more favorable. In a separate study of advertising fluctuations, one writer found the curve of men's wear advertising free of those movements which are generally present in measures of business activity as a whole.¹ Except for the rather prolonged dips in the latter half of 1925 and 1926, and the somewhat exceptional outburst of activity in early 1926, this series is almost without feature. On the whole, retailing is less affected by economic fluctuations than are other commercial activities. Some of the stores reporting increased expenditures on the up-swing of

¹ W. L. Crum, *Advertising Fluctuations*, p. 220.

business were no doubt recording in part a normal growth element of their business

Advertising Media

The question of media is in part a matter of spending the appropriation and is in part concerned with making the advertising more effective. The comparative use of the various media may be determined by distribution of the appropriation. In the investigation of advertising, among the members of the National Association of Retail Clothiers and Furnishers, the percentages of appropriation were

Newspaper	50%
Direct-by-Mail	15%
Window Display	10%
Outdoor Advertising	10%
Miscellaneous	15%
	<hr/>
	100%

Miscellaneous advertising includes programs, radio, car cards, cut and mat service, screen, and specialty advertising. Both newspaper and direct-by-mail advertising should be considered as a range, rather than as a definite per cent. Newspaper advertising ranges from 50% to 65%, and direct-by-mail from 15% to 25%. Some retailers are practically interchanging the amount spent for newspaper advertising and direct-by-mail advertising. This tendency is in harmony with the general trend of retail advertising, which indicates that retailers in all trades are increasing their direct-by-mail advertising.

When newspaper advertising is used, over half of it is placed in the evening papers.

Store Location and the Choice of Media—The territory from which the store draws its trade, and its respect of this location must be studied and analyzed before selecting the advertising medium. If the store is located in the center of the business activities of the city, advertising in the local newspapers can be effective in drawing into the store people who

have come down town to shop. If the store is located in an outlying district, however, newspaper advertising will not be effective, because only those people living close to the store will be induced to come in. Also, as the rates for advertising space are based on the total circulation of the newspaper, the expense to the store situated away from the business center is out of proportion to any possible return. In this case, some form of direct advertising would be more effective.

The Radio as a Medium—Retail clothiers and furnishers are making use of the radio in their publicity programs. The radio is a particularly effective agency for giving publicity to such matters as style, correct dress, the history of fashion, and personal dress problems. The productivity of radio publicity may be measured in part by requests for style information from the audience. In radio advertising, quality and style should be emphasized, and price accorded a minor position.

Functions of Retail Advertising

To be effective, every retail advertisement should (1) attract attention, (2) create interest, (3) stimulate desire, (4) inspire confidence, and (5) suggest action. A sixth function is sometimes performed in that advertisements reinstate in the mind of the purchaser a desirability of a commodity which he has formerly purchased. Let us see how these various tasks are performed. Attention is attracted by means of an appropriate illustration, or a headline set in larger type and conveying a bit of interesting information. Care should be taken to make the headline short and easy to read. Ordinarily, the mind cannot grasp quickly more than four or five words. Advertising copy can create interest and stimulate desire through a careful choice of appropriate selling points, described with adjectives that are capable of creating pictures in the mind of the reader. The following copy does not create a mental

image, hence does not arouse desire. "A large assortment of men's topcoats in all sizes and styles. The following is much better. 'In this assortment are found topcoats in the popular loose fitting models and in the more conservative styles. The colors are blue, grey, and the new shades of tan.' The second bit of description, while short, contains specific points that enable the reader's mind actually to visualize the garment.

Confidence is inspired in advertising copy by not making overstatements or using superlatives such as "greatest bargains in the city," "best values obtainable," "the widest selection of merchandise." Advertising copy will go farther toward developing confidence in merchandise and in the store if it contains definite descriptions of articles, suggests uses, and points out without using superlatives, that the merchandise offered is in every way worth the price asked.

Action is suggested in various ways. A definite reminder to come in and inspect the articles offered is the most obvious method of suggesting action. Other methods are to tell the reader in what part of the store the advertised articles are to be found, or to suggest that at the price offered the goods will quickly be sold out. Also a statement to the effect that the goods may be bought at the advertised price for a limited time hints at immediate action.

As an incidental function of retail advertising, the consumer is made to feel that a previous purchase was a good one. This is especially true where the unit of value is large or when the use of the commodity extends over a period of time. The consumer frequently feels that perhaps he did not select the latest style. To see this style in current advertising reestablishes, in his mind, the wisdom of his initial purchase.

These functions of advertising all cooperate in an attempt to make a sale through print, in much the same way that salesmen attempt to make sales through speech. To perform a complete job of selling, all these elements must be present in the advertisement.

Therefore, to make these functions effective, the advertisement should possess the following features (1) it must be specific, (2) the points made must be definite and supported by definite reasoning, (3) an advertisement must not only state its case but visualize it, (4) it must have one and only one dominant idea, (5) that idea must be presented in logical form and sequence, (6) it must show its relationship with its product, with the customer's need, and with other advertisements of the series, and (7) it must *sell*, by education, by induct or by direct offer, but it must obviously be a part of the selling effort.

After the retailer has prepared his copy, he would do well to ask himself the following questions:

Do the headline and illustration get attention?

Is the copy full of weak words and general statements, or of really descriptive adjectives that create an image of the article in the mind of the reader?

Does the copy emphasize the use of the article so that the reader is reminded of the benefits he will enjoy from owning it?

Is the copy written from the viewpoint of the reader so that he sees himself in the picture?

Is it easy for him to buy? Are prices quoted? Is the reader invited to come in and inspect the article?

The force of this analysis of the functions of an advertisement is emphasized in the discussion of advertising appeals.

Advertising Appeals

The appeal is the central pulling force of the advertisement. It may be style, workmanship, price, identification of a well-known product, or any of the many selling points in a commodity. Institutional appeals or advertising which *sell* the store as an institution may be utilized. In the survey by the author, information was secured as to the appeals featured by

retail clothiers and furnishers. Listed in order of their importance, the chief appeals were

- 1 Institutional advertising
- 2 Description of commodity
- 3 Promoting nationally advertised line
- 4 Price

On this subject, the problem of the use of comparative prices is important. There is, of course, some justification for comparative prices when applied to articles affected by style and seasonal changes. There is always the danger, however, that the consumer will be impressed by the fact that the first prices were overstated. Likewise the use of comparative prices stimulates a general trading-down movement. In order to secure definitely the reaction of consumers to the use of comparative prices in advertising appeals, one trade organization surveyed approximately 500 consumers.² The appeal of "news" in the advertisement polled 39% of the votes. Price appeal drew 32%, style appeal polled 15%, suggestion polled 13%, comparison of prices polled 2%. The verdict here is decisively against comparative price advertising. These consumers felt that comparative price statements are misleading. Even those favoring comparative price advertising did so only in so far as they had confidence in the particular store.

In the final analysis, the particular appeal must rest on an analysis of the market the retailer is trying to reach, and upon the proper functioning of the advertisement itself.

The effectiveness of the advertisement as a whole and of the particular appeals used can best be determined by measuring the returns from the advertisement.

Advertising Research

Just how effective is the retailer's advertising, it is rather difficult to determine. Some retail stores make a definite

² Boston Better Business Bureau secured information from 500 consumers.

attempt to measure the returns from their advertising. The experience of retail clothiers indicates the use of three methods of measuring these returns: (1) noting increased sales in advertised lines, (2) interviewing customer after purchase is made to determine whether he was influenced by the retailer's advertisement, (3) checking returns from mailing list. Of these methods, the first is the most widely used, although almost an equal number of stores followed some form of customer interview at time of purchase. Many of the results of advertising are of an intangible nature, and concerned with goodwill. These cannot be measured apart from the general increase in business or the improved position of the store.

Advertising research is merely an attempt to study consumer demands and to use the results of such a study as a guide to merchandising policy. The material developed in Chapter 2 applies to the individual problem of advertising research.

The Use of Dealer Helps, Nationally Advertised Goods, and Private Brands

Unless the store adheres to a private brand policy, it directly or indirectly uses dealer help in its advertising. Dealer helps are more widely used by small retailers. In many cases, they are over-used and clutter the windows and display cases in an unsightly manner. If properly used, dealer helps should form an effective part of the retailer's advertising. If not directly used, they contain information which may work its way into the retailer's own advertising copy or into a suggested window display. It is a problem of both wholesale distributors and retailers to see that dealer helps are properly used.

Nationally Advertised Goods—Most retail clothiers sell some nationally advertised lines. These are supposed to be an aid to the retailer because demand has already been developed and he spends less time in selling them. It is the claim of the wholesale distributor that his national advertising direct to the

consumer makes it possible for the retailer to sell more goods, get greater turnover, and hence make a larger total volume, even though the margin on each sale is smaller. In actual practice, the retailer may carry only a small amount of nationally advertised goods and, by featuring this in his local advertising, attract trade to the store. Once in the store, the customer may be switched to another line with apparently no dissatisfaction. Many retailers state that, of their total clothing sales, from 10% to 20% are made in nationally advertised lines. Manufacturers object to this and, under the exclusive agency agreement, may withdraw the line if the retailer doesn't push it.

Private Brands—In a sense the problem of private brands is the negative aspect of the problem of nationally advertised brands. Whether to use private brands or not is a problem peculiar to the factors surrounding the store. For example, the so called exclusive men's shops prefer to develop private brands, while department stores and chain stores prefer to develop their own brands. Many manufacturers of nationally advertised lines devote a part of their total production to the making of goods to be sold under the retailer's private brand.

The retailer may develop private brands because he feels that the margin of return is too low on the nationally advertised lines. Or he may feel that by pushing his own brand to the exclusion of the manufacturers' brands, he can build up in the mind of the customer a confidence in the store that will result in increased sales and goodwill. It is becoming increasingly difficult, however, to accomplish this in a reasonable time without the aid of the prestige of nationally known lines.

Criticism of Retail Advertising

Retail advertising too often is written from the standpoint of the store rather than that of reader or customer. It tries to sell what the store wants to sell, rather than what people

want to buy. The customer's language should be used in every advertisement, and every advertisement should be planned and written from the customer's point of view.

Much of the advertising lacks a "sense of sell." This "sense of sell" can easily be sharpened by more accurate aiming in the merchandising of the goods being advertised.

It is a common fact in retail advertising that many of the advertisements are planned and produced too near the date of their publication. Advertising which is planned well in advance gets better results than that which is planned at the last minute. The advertising expenditures indicated above are worthy of more time and thought than is now given to them by most stores.

The advertising of many stores is not so easy to read as it might be. This is particularly true of the so-called modern trend in newspaper advertising. It is obvious that the difficult-to-read advertisement is not easy to buy from, likewise, it must be borne in mind that advertisements compete with news stories for the reader's attention.

Much of the criticism of retail advertising might be directed against the lack of coordination between merchandising policy and the advertising program, for example, a store may feature quality merchandise in the advertising and, during the same week, feature price merchandise in the window display. It is unfortunately true, that the salesman, in many instances, is not informed as to what is being featured in the advertising.

Although there is a marked tendency toward institutional advertising, it is felt that stores rarely put enough emphasis on the selling of their store as a store. It is quite worth while for a store to capitalize its institutional aspects and to point out its aims and policies in its advertising.

Display

In the men's apparel trade, window displays are effective selling devices. Some merchants claim that half of their new

business comes from the window display, and that the window speeds up the frequency of purchase by old customers. Although no general study has been made of the relative amount of men's apparel which is purchased as a result of window display, it is fairly certain that window displays are sales builders as well as forces effective in retaining customer patronage. The significance is further developed, in that consumers of wearing apparel are not governed in the majority of cases, by newspaper and direct mail advertising. This means that other influences must play an important part. The pulling power of display must not be overlooked in the general selling policy of the store. Not only do displays definitely aid in selling, they silently reflect the personality of the entire store.

Principles of Display—The principles of display are similar to those of other forms of selling, namely, advertising and personal salesmanship. The merchandise display should reflect the general policy of the store. That is, most retail stores appeal to a certain general class of trade, and it is important that the merchandise be displayed in such a fashion as to attract the type of customer to which the store is catering. It is misleading for a store making a class appeal to feature a price in its display, or for a store making a mass appeal to drive customers away by building up a class atmosphere. The display should also be coordinated with the general merchandising and advertising program. Nothing is so disturbing to the mind of the buyer as to find newspaper advertising, window display, and interior display branching off in different directions. Newspaper and other forms of advertising, dealer helps, personal sales efforts, and window and interior display should all be directed toward uniformity in sales policy.

Window displays have always been important in the selling of apparel goods, but the wide use of window display for men's wear is a product of the past three decades. At the

present time, the interest in fashions in men's apparel and the trading-up movement in the industry are contributing factors to an active interest in window displays. Window displays have received the attention of trade association manufacturers and local retail groups. National manufacturers supply plans for complete window displays, and maintain window display schools. The National Association of Retail Clothiers and Furnishers maintains a window display department for the purpose of training and advising the retailer on the problem of window display.

The subject of window displays for retail clothiers presents two general aspects: (1) the merchandising problem, and (2) the more technical aspect connected with the principle of art—involving lighting effects, backgrounds, showcard writing, and other features requiring special skill. Attention is here given to the merchandising problems of window display.

In the first place, displays should be planned in advance. Every item is subject to some form of timely showing. For example, neckties for Father's Day, Boys' Week, seasonal openings for major items such as hats and overcoats, and items appropriate for similar events designed to attract those leaving for college. The interest in sports also offers display possibilities, as do also resort and vacation seasons. By careful planning, practically every item of men's wear, from dress clothes to work clothing, will receive an appropriate and timely display. Planning displays in advance will also permit complete coordination of the store's selling policy. Also, the policy of planning displays should be sufficiently flexible to permit changes of a local nature, such as a display to tie-up with some local event.

A second problem of display refers to the number of items shown and the changes of window displays. There need be no confusion as to the number of items versus the plan of associated display, or ensemble. There is considerable difference between cluttering up a window with miscellaneous items

at various prices and the building up of a timely ensemble—a difference not yet appreciated by the smaller shopkeepers. To be sure, in convenience items, a wide display is practical, but not so in the case of specialty goods. Closely related to the number of items is the number of prices displayed. This, of course, is a problem of the policy of the individual store. Fixed price chains, for example, display price heavily. If price is to be displayed at all, it is far better, no matter what the store, to concentrate on one price, or on a few prices at the most. In making certain appeals, price has best form but a small feature of the display.

A third point with reference to window displays is that the display shall be harmonious both in itself and with the entire sales effort of the store. After all, this is a simple problem but it embraces all the others.

Where the size of the store permits, a series of unit displays featuring a major seasonal event is productive. This type of window display assists the customer in planning his purchases. Men's wear stores are purveyors of good appearance and a well-organized series of unit displays permits the customer to plan his wardrobe with some perspective and thereby secure maximum satisfaction.

Finally, window displays should be subject to control, the same as any other branch of merchandising. Proper methods should be utilized not only to insure the adequate display of all commodities, but to check sales results against the items displayed. The space devoted to window display is considerable, and is indeed an important factor in expense, when one considers the total rent factor, not to mention the cost of remunerating display experts, or the time of other members of the store organization that may be devoted to displays.

Summary—In continuation of the general problem of selling, advertising and display form the central discussion of this chapter, which takes, in their order, the necessary steps in

retail advertising The appropriation must first be determined, and then its expenditure, by seasons, months, or days The manner in which it shall be spent is basically a problem of selecting the media The functions of an advertisement are discussed, and this discussion serves to correlate the problems of selection of media and the appeals to be used The choice of an appeal depends upon basic market factors, such as class of trade, price policy, etc

In order to measure the effectiveness of advertising and also to make it more productive, a scientific investigation of both product and market is desirable

As a part of the retail advertiser's problem, the use of dealer helps, nationally advertised lines, and private brands is considered Stores vary in their practice regarding the use of these items, but most stores make some use of both dealer helps and nationally advertised goods Only the exclusive shops have been able to operate on a strictly private brand policy

Retail advertising is criticized mainly on the grounds of its hurried preparation and failure to keep the consumer in mind

The general principles of selling also govern the use of displays Displays form an important part of the selling program of retail clothing stores, and trade associations and manufacturers are devoting considerable energy to assisting the retailer to present effective displays

CHAPTER 13

BUDGETARY AND STOCK CONTROL

Throughout this book, the importance of coordinating merchandising policies with consumer demand has been emphasized. To be effective this coordination must proceed along scientific lines, for merchandising effort is intelligently directed only when it is founded on a well-ordered plan. A mark must be set, a course charted, and the ultimate object kept constantly in mind. A retail store should have a plan by which it may be guided daily, weekly, or monthly, depending upon individual cases. A well-ordered business plan covers two phases: (1) budgetary control, and (2) stock control. It is the aim of this chapter to state the principles underlying these forms of control, and to show the possibility of their profitable application to a retail clothing store. To accomplish this aim, the chapter discusses (1) the need for budgetary and stock control, (2) budgetary control, (3) stock control, and (4) stock simplification. Stock simplification receives detailed treatment at this time because, more often than not, it emanates from a budgetary and stock control system, and in this respect it may be viewed as one of the advantages of stock control.

The Need for Budgetary and Stock Control

Budgetary and stock control is needed to meet increasing competition in the retail field. Retail clothiers compete with other store types, and, among themselves, on the basis of service, variety of stock, style, credit, and other service features. The competition between store types, as well as between stores of the same type, is marked by management differences. One

of the chief factors in the success of the chain store is its use of budgetary and control methods. The independent retailer, if he would improve his status in our present system of retail competition, is forced to adopt more scientific and less haphazard principles.

In the stress of competition between industries and commodities, budgetary and stock control is not only a retail need, it is an industrial necessity. It is partly because of this fact that trade associations and manufacturers have encouraged and assisted the retailer in the establishment of budgetary and stock control systems.

Large Volume Retailing—The relation between expenses and sales volume forces the retailer to secure larger volume if he is to earn a satisfactory profit. Under this necessity, many clothiers have added the distribution of extra lines or have built up their sales in lines already established. To be sure, a reduction in expenses helps to make profit greater, but, because of the fixity of certain expenses, increased sales are practically imperative.

The development of large-scale retailing is necessarily accompanied by lack of a personal knowledge on the part of the merchant, of his stock of merchandise. Even in the one-man store of yesterday, where the merchant thought he knew every piece by sight, he would have been surprised had the actual facts of his stock been graphically brought to his attention. Stock control, then, through a graphic organization and simplification of the complicated facts concerning merchandise movements, attempts to give the present-day merchant a better picture than the old-time merchant had when he looked at his shelves.

Importance of Style—A demand for style goods is spasmodic and difficult to forecast. It is necessary to follow the movement of such merchandise daily in order to insure a complete turnover before demand has fallen off, and make sure the supply is sufficient to meet the immediate demand. Stock

control records have proved a valuable means of following current merchandise movements in such a way that any deviation from the planned performance may immediately be detected and accounted for and provided for. The importance of this measure was illustrated in our discussion of *Fashion*, Chapter 3.

Controlled Buying and Stock Turnover—The purchase of stocks, however small, should be made in proportion to sales in each line, as determined by such ratios as the turnover rate. Controlled buying aims to keep down the average stock investment, and stock control records furnish facts which make this possible. Idle merchandise on the shelves of retailers, constitutes a waste in retail distribution. It accumulates overhead cost, and ties up capital. It depreciates retailer's credit, and makes it more difficult for him to take his discount. At this point, control systems are needed to indicate to the merchant the emphasized merchandising which may be possible in the specific goods on which he is losing money.

Can the Small Retailer Profitably Use the Control System?—Many small retailers wrongly assume that systems of control are practical only for the larger stores. They err here in confusing an elaborate system of control with control systems in general. Naturally, a system designed for a large department store would prove a wasteful expedient for the small retailer. But this certainly is far from signifying that intelligent budgeting and control is not of use to the smaller dealer. The important thing is that the system adopted fit the needs of the store. Too many stores have tried to make their business fit the system.

The Opposition of the Buyer—Retail buyers often object to the use of budgetary and control systems, and there is some justification for their objection. Oftentimes they are unnecessarily burdened with statistics of no immediate value to the

buying problem, yet, at the same time, they are not adequately informed as to the true objectives of budgeting and control. What is needed is a wholesome understanding between buyers and control men as to the relation of budgeting and control to the buyers' problem. To meet this need, some stores employ a separate specialist who acts as coordinator between the merchandise control function and the buying function.

The principles of budgetary and stock control can best be understood by (1) a simple statement of the nature and objectives of budgeting, and (2) a concept of stock control in operation. It is from the stock control system, as in actual operation, that we are supplied with the basic data for budgeting.

Principles of Budgetary Control

Budgeting for Control—This discussion considers the principles of budgeting for control as they apply to retailing. The basic objective of budgeting and control is the establishment of a factual basis upon which to formulate operating policies. Because stores present so many differences, no elaborate system of record keeping is given.

Budgetary control is the intelligent use of the budget to control the various sources of profit. Budgetary control is fundamentally an economic analysis—it is not mere routine. The budget phase of control is the plan for the future based upon past experience and the present economic situation, together with anticipated changes. A budget sheet is, in a sense, a merchandise blue-print. Its successful use is dependent upon the foresight and ability of those responsible for the plan and upon the possibility of obtaining exact data.

Purposes of Budgetary Control—It is the purpose of budgetary control (1) to establish a map of future business, (2) to coordinate the activities of the business, (3) to cen-

tralize executive control, (4) to make forecasts and record results, (5) to evaluate efficiency

The establishment of a map of future business necessitates the establishment of quotas and limits and the comparison of actual with estimated figures. From these the movement and location of the business is determined.

Functional coordination possesses live interest for both the large and the small concern. Even in the very small business, where the individual functions of management may be in the hands of one man, there is danger of lack of coordination, for the functions are less well defined and may be even more difficult to coordinate than in the much larger establishment.

The functions of purchasing, personnel, finance, and operation, on the one hand, and of selling, together with the subdivisions of selling (the selling departments), on the other, are all purposefully coordinated through the proper functioning of budgetary control. In the actual operation of the budget plan, those responsible for accounting and statistics which are the functions of record keeping, must, of course, cooperate.

The need for centralized executive control is an outgrowth of the larger size stores, with the consequent dangers of delegated authority, such as less competent judgment of subordinates, etc. The losses caused by over-buying can be attributed, in part, to a lack of intelligent control of buyers' activities.

The idea of forecasting is an old one, but the scientific forecast is a recent development. The problem of merchandising the various departments and items economically is constantly arising, but one season finds the *average* merchant just as helpless in the face of conditions as he was the year before. He has failed to tabulate the needed facts.

Budgetary control also serves as an indicator of efficiency. Not only are the various functions thereby evaluated, but the cost of the performance of these functions is determined. In many cases, it has been found that profits are absorbed by the unnecessary pressure of certain expenses.

ADVANTAGES In brief, the use of a properly constructed budget system makes possible

- 1 A profitable sales plan
- 2 Coordination of sales and purchases
- 3 Coordination of sales and purchases with finances
- 4 More direct control of expenditures
- 5 A financial program
- 6 Coordination of all the activities of the business

DISADVANTAGES On the other hand, there are certain difficulties attached to budgetary control

- 1 The difficulties of preparation of the sales budget due to market fluctuations, seasonal fluctuations, the style element lack of past sales statistics Difficulties in establishing relations between sales and expenses and sales and purchases
- 2 Difficulty in administration
- 3 Danger in expecting too much from the system
- 4 Cost of operation may be prohibitive for some stores

Divisions of Budget for Control—The budget falls into divisions analogous to the two divisions of the functions of the business The operating expense budget will be considered first, followed with a brief discussion of the sales and merchandise budgets

The Operating Expense Budget—The principles underlying the operating expense budget are simple Every merchant knows that he has certain expenses to meet on certain dates He knows something about the distribution of sales by months, and what percentage of sales are cash and what percentage credit By maintaining a system of records, he can budget income to meet outgo Aside from this systematic plan, the chief function of the expense budget is to stop leaks through the control of expenditures

The sales budget establishes a maximum goal, the expense budget establishes a minimum goal A decreasing expense

and increasing sales are both important in securing a greater profit

The first step toward the control of expenses is a classification of expenses. Various expense classifications are in use. The one recommended by the Budget and Control Division of the National Association of Retail Clothiers and Furnishers is given here. This classification is made up to meet the needs of the large store and the small store. (See Appendix B, Table 33. Expense Classification.)

Expenses should further be classified as selling and non-selling, fixed and variable. The variable expenses are those which vary with sales. A statement of the relation of expenses to sales presupposes an accounting system which will disclose the needed data.

In the preparation of the final budget sheet, the expenses of the non-selling departments should be allocated to the respective selling departments.

By coordinating such individual budgets as sales, merchandise, and expense, the finances of the business can be planned. This may or may not be considered a separate budget. To plan the cash requirements, the estimated cash disbursements must be estimated against the estimated cash receipts.

Today, the necessity for a division of the main budget into a merchandise and an operating budget is well recognized, while the establishment of a sales budget, the key to the accurate estimate of the others, has only recently been realized in its full importance.

Sales budgets and merchandise budgets are two distinct types of budget. One is an estimate of the volume of business that a store may properly expect and plan to attain, while the other is the proper control of merchandise in order to fulfill sales expectations.

The larger stores may wish to divide the main budget and its subdivisions into still smaller sections in order to secure a more searching control.

The Sales Budget—The sales budget has for its main purpose the establishment of sales quotas, based upon the estimated possibility of sales and the profit therefrom, the equipment and floor space available, and the cost of procuring sales

Sales possibilities depend upon consumer demand, changes in store management policy and sum total of previous sales. Sales possibilities as a function of consumer demand has been treated in earlier chapters.

The anticipation of varying the store's management policy in regard to credit, advertising, addition of new lines or dropping of old lines, prices, and terms of credit, obviously will have a direct influence upon the sales forecast.

The Merchandise Budget—The purpose of the merchandise budget is to establish scientific merchandise control and to contribute information for use in the preparation of the operating budget. A budget helps the retailer to bring about the most advantageous proportion between sales, stock, and margin, and to watch carefully the relation between estimated future sales and purchases.

Stock Control

Stock control has been defined as a control which deals with the planning of merchandising activities, so that it may be possible to outline the relationship between buying stock and making sure of an ample supply of merchandise with which to meet selling need.

Stock control should help to maintain a proper balance between the stock inventory and anticipated sales, to furnish a scientific factual basis for budgeting, buying, advertising, planning of special sales events, marking down goods, and similar merchandising procedure, so as to realize the most profitable returns.

It is not the purpose of a stock control system to cramp the initiative of the buyer or the merchandise executive. A stock control system does not, in itself, solve control problems. It is not a device which will automatically meet all merchandising problems as they appear. A stock control system is a facilitating system.

Stock control is much more than a bookkeeping system—it is an entire merchandising plan. Stock control is not a substitute for judgment, it affords a basis for better judgment. It does not make the buying job mechanical, it makes it efficient.

Place of Stock Control in the Store Organization—As to the place of stock control in the store organization, much depends on the size and type of store. In unit clothing stores, very often a controller is not employed, the proprietor, himself, working with the bookkeeper or some other member of the organization, supervises the control system. Both value (dollar) control records and unit (piece) control records should be kept in a central office.

The department store with its more elaborate organization employs a controller. Control in this type of store may be either centralized or decentralized. In centralized control the piece records are under the supervision of either a unit control manager or a controller. Where a unit control manager is employed, a separate division, called the unit control division, is created. The unit control manager reports directly to the merchandise manager. Under the decentralized scheme, piece records are maintained under the direction of a merchandise department manager. This manager is directly responsible to the general manager.

In chain store operation, the majority of the control activities are carried on from the central office. In the case of chain stores of the fixed price variety, the piece control is automatically a dollar control.

Types of Control in Retail Clothing Stores—The difficulty of getting retail clothiers to adopt the control system idea has led to a certain lack of uniformity in their control methods. The majority of the well-organized systems of control have, therefore, been planned so that they will meet, or can easily be adapted to meet, the needs of individual stores.

Stock control proper assumes two forms: (1) dollar or value control, and (2) unit or piece control. To be effective, either form should be operated on a permanent, continuing basis.

The Merchandise Plan and Stock Control—Before stock control can properly be exercised, there must be some accepted plan or goal toward which a department is working. For it is the peculiar function of stock control to achieve some pre-determined plan of regulating sales, stocks, and turnover of merchandise. Stock control clearly has a right, then, to claim a place in what is known as the merchandise plan—an important place at that, for it definitely aids in its execution and forms the basis of future merchandise planning.

The merchandise plan has three phases: analysis, planning, and control. In first analysis, the various merchandise groups are classified into departments and subdivisions. As an illustration, the classification of departments for a clothing and furnishings store, recommended by National Association of Retail Clothiers and Furnishers is given in Appendix B, Table 34. For each department or subdivision, dependent upon size, a separate record should be maintained of purchases, sales, stock, markups, and markdowns—a perpetual dollar inventory. On the basis of the periodic summaries of performance made up from these separate records, and comparison of recent years' performance, the merchandise plan is built up.

Planning—The object of planning is to have the right goods in the store at the right time, in the right quantities, and at the right prices. The plan should be set down in written

form before the opening of the buying season. A complete plan for a men's clothing department includes

- 1 Estimated sales, planned stocks, and purchases for the entire department in terms of dollars
- 2 Estimated sales, planned stocks, and purchases for each subdivision in the department in terms of dollars
- 3 Estimated sales, planned stocks, and purchases by items of merchandise

The budget covers six months' performance, the spring season plan extending from March to August inclusive, and the fall season plan, covering the months from September to February inclusive. It is detailed for each month of the season and is subject to adjustments during the season.

It is advisable in the plan to leave space for comparison of the past years' results, this year's plan, and this year's results. The following items are included in the plan:

- 1 Sales by months and total for six months. Percentage space in left margin for:
 - (a) Increase of the last year's sales over sales of the previous year
 - (b) Planned increase of sales this year over past year
 - (c) Actual increase of sales this year over past year
- 2 Markdowns in dollars each month and total for the season
- 3 Stock at retail at the first of each month and at the end of the season
- 4 Stock at cost at the first of each month and at the end of the season
- 5 Purchases at retail for each month and total for season
- 6 Purchases at cost for each month and total for the season
- 7 Percentage of markdowns for sales for each month and average for season
- 8 Percentage of markup sales each month and average for season
- 9 Percentage of markup to purchases for each month and average for season

- 10 Percentage of discount to purchases for each month and average for season
- 11 Turnover for each month and average for season
- 12 Expense each month and average for season
- 13 Ratio for determining end of season stock

The end of season stock should always be lower than the average inventory, in order that inventory taking may be made easier and that the amount of merchandise carried the next season may be at a minimum. The merchandise plan specifically aims to bring about this minimum of stock on hand.

Many considerations govern the basis of merchandise planning for men's apparel. Among them may be mentioned

- 1 Past figures of performance
- 2 Recent months' performance
- 3 Business conditions
- 4 Style factors
- 5 Growth of department and of store
- 6 Time needed for delivery
- 7 Transportation conditions
- 8 Competitive situation
- 9 Market, price, and labor conditions in particular commodities
- 10 Proper relation of stock to sales
- 11 Individual department and store problems
- 12 Seasonal fluctuations of sales
- 13 Plans for purchases for special sales

The merchandise plan is not a set schedule—it is a guide, and is subject to adjustment during the season as market conditions may require.

As a matter of terminology, the terms "sales budget" and "merchandise budget" are sometimes used synonymously with the merchandise plan. However, a distinction has been made on the basis that the first two terms properly signify any estimate of the volume of business that a store may expect, while

the other is the proper control of the stock of merchandise in order to fulfil sales expectations

The Open-to-Buy Report—Closely allied to, and in some cases a physical part of, the merchandise budget is the open-to-buy report. We have seen that the merchandise budget enables the retailer or buyer to know what amount of money he may spend during a given period. The open-to-buy report shows, at any time during the period, how much has been spent and how much of the appropriation remains to be spent. The open-to-buy report is a detail and projection of the budget. For example, if planned January purchases are \$10,000, and on January 10 the records show that the buyer has spent \$5,000 on goods received and has outstanding orders amounting to \$2,000, then he is open to buy for the remainder of January, \$3,000 or \$10,000 minus \$7,000.

Figures Necessary for Estimating Open-to-Buy—To arrive at the open-to-buy very few figures are necessary. The following table shows the method of arriving at the desired figure.

Planned stock, end of month	\$20,000	
Planned sales and markdown for balance of month	11,000	
	<hr/>	\$31,000
Total		
Stock on hand this date	15,000	
Outstanding orders this date	2,000	
Goods in transit	1,500	
	<hr/>	
Total		18,500
		<hr/>
Open to buy		\$12,500

We really need but four figures to arrive at the amount that can be spent during the balance of any period:

- (a) The purchase allotment for the period
- (b) Goods received
- (c) Goods ordered
- (d) Goods in transit

(a) minus the sum of (b), (c), and (d) equals the desired amount. It goes without saying that, if the open-to-buy report is to be of any value, accurate records must be kept. If the amount of merchandise received, on order or in transit, for each department or classification is not known, or if any of these figures are omitted or incorrectly stated, the finally derived open-to-buy figure is not only useless, but may easily lead to costly mistakes.

The open-to-buy report as employed in actual buying practice has been discussed in Chapter 8. It is an indispensable device for scientific buying.

Control—The third phase of the merchandise plan is control. As previously noted, control may take the form of value control (control in terms of dollars) or unit control (control in terms of pieces). Frequently, a compromise between these two forms is utilized. It is the object of the following discussion to analyze these forms of control.

Forms of Value Control—I PERPETUAL VALUE CONTROL BY DEPARTMENTS The first step in controlling the merchandising operations of a store in order to realize the most advantageous proportions between sales, stock, and net profits, is to establish a perpetual value control for each department. This form of control is merely a current record of incoming and outgoing merchandise in terms of dollars and cents. In reality, it is nothing more than a perpetuating retail inventory. The formula is: initial stock on hand plus net purchases minus net sales minus markdowns, equals final stock on hand. "Net sales" means total sales less returns by customers and allowances. Net purchases means total cost of the goods delivered, less returns to the manufacturer. A close record of purchases, sales, markdowns, markups, returns by customers, and returns to manufacturers assures a useful perpetual value control.

The form used by the National Association of Retail Clothiers and Furnishers involves a combination of value control and merchandise planning. A summary of contents of this form is given below:

- 1 Open-to-buy at first of month for balance of month or for balance of season
- 2 Inventory at beginning of month at cost, and purchases during month at cost
- 3 Inventory at beginning of month at retail, and purchases during month at retail
- 4 Actual initial markup in dollars
- 5 Gross markup percentage at retail
- 6 Planned markdown in terms of dollars
- 7 Net markup percentage
- 8 Net sales at cost
- 9 Net sales at retail
- 10 Gross profit—retail of net sales minus cost of net sales
- 11 Per cent of gross profit—gross profit divided by net sales at retail
- 12 Stock on hand at cost
- 13 Retail value of stock on hand
- 14 Markup of stock on hand
- 15 Per cent of markup on stock on hand, that is, actual markup divided by stock on hand at retail
- 16 Average stock at cost
- 17 Average stock at retail
- 18 Turnover this year and last year. Net sales divided by average stock on hand, both in retail

Such a system is misleading where markup variations within each department are great, in cases in which markup is estimated, and where the sales volume in different items varies greatly. Second, dollar control does not analyze in sufficient detail. No information by price, size, color, etc., the real basis of a more profitable control, is given. These limitations do not condemn it, as it is very useful in smaller stores.

ADVANTAGES OF DEPARTMENTAL VALUE CONTROL The advantages of departmental dollar control are

- 1 It is simple and practicable
- 2 It is economical of administration
- 3 It shows in a timely way the dollar value of merchandise in stock, sales and purchases, by departments The value figures are given at both cost and retail
- 4 It indicates the profitableness of each department
- 5 It provides for a timely computation of turnover Net sales for the month divided by the average stock gives the monthly turnover
- 6 It gives an accurate check on the planned figures by departments

2 PERPETUAL CONTROL BY SUBDIVISIONS OF DEPARTMENTS Similar in form is the perpetual value control by subdivisions of departments This involves the breaking up of the department into subdivisions, and is an effective form of control, because it indicates the profitableness of the subdivision This plan still lacks, however, the analysis in terms of actual pieces of merchandise, and its operation may prove too costly for the smaller store Its chief advantage is that it overcomes the first defect mentioned above, "that such a record is misleading where markup variations are great, when the markup is estimated, and where there is variation in the volume of sales for different items "

A single classification of merchandise does not involve so much variation in markup and sales volume as the general, whole-department classification, which includes various types of goods handled in the department It is therefore easier to estimate the markup for a single classification of merchandise than it is for a department group of merchandise

Value control by subdivisions also gives an analysis of the operation by lines of merchandise, revealing

- 1 Profitableness of subdivisions
- 2 Slow selling lines

- 3 Fast selling lines
- 4 Turnover by subdivisions
- 5 Possible budgeting in terms of subdivisions rather than in terms of the store or department as a unit
- 6 Possible coordination between sales and purchases, and between planned and actual results

As indicated above, value control by subdivisions lacks the important element of analysis in terms of actual pieces of merchandise. The open-to-buy sheet may indicate that \$25,000 should be spent for men's clothing. The plan by subdivision shows how many three-piece suits are wanted, but it does not show precisely what price lines, sizes, models, colors, and so forth, should be purchased and the percentages which should be purchased in each of these divisions. In the case of a special style it does not give a current check on its movement.

Forms of Piece Control—Value control attempts to control stocks in terms of dollars, piece control attempts to control stocks in terms of actual units of goods. There are several forms of piece control, such as (1) physical inventory by pieces, (2) physical inspection, (3) stock taking, and (4) perpetual piece control. After a brief review of the first three forms, perpetual piece control will receive detailed treatment.

Physical inventory by pieces involves a record of stock, giving detail as to size, color, model, and price of each item in stock. In general, it is too complicated to serve efficiently as an only means of control. On the other hand, where the record of stock is made in sufficient detail

- 1 It may reveal overstocked or understocked sizes, price lines, models, and colors at the time the inventory is taken
- 2 It may locate individual lost garments and soiled stock
- 3 It shows up the amount of old stock on hand
- 4 It gives salesmen greater familiarity with the stock on hand especially in men's clothing stores¹

¹ University of Ohio Bureau of Business Research. Perpetual Piece Control as Applied to the Merchandising of Men's Clothing. August 1928 p. 39.

Physical inspection is one of the simplest forms of control, and is used to some extent in every store. It is easily done, although it has the defect of generally being a haphazard performance.

Stock taking is especially valuable as a supplementary device. In men's clothing, it is usually the practice to take stock by counting regularly the number of garments on hand in each store lot number, by size and piece, a certain part of the lot number indicating the type of garment. Stock taking should not be used as a sole means of control, because periodic counting does not give a continuous record. The value of stock taking lies in its use to

- 1 Aid current buying
- 2 Give a frequent check on the book inventory by items
- 3 Minimize outs and shortages in popular merchandise
- 4 Prevent slow moving stock and increase turnover ²

The Physical Inventory—Regardless of any control system, a physical inventory is necessary to assist the store in the execution of its policy and in the adjustment of its records. The physical inventory is not a substitute for a perpetual dollar record, nor is the perpetual dollar record a substitute for the physical inventory, both should be used. The physical inventory is an excellent check on book figures, in that it serves to uncover the rate of selling in various lines. Likewise, it supplies data for computing turnover, and finally, it serves as a check on planned inventory. In the inventory sheet recommended by the National Retail Clothiers, two separate pricings are made, one at cost, and one at market value. The lower of the two is taken as the value of the merchandise in stock. Separate columns are used for old retail price and new retail price. An accurate physical inventory by pieces is taken, however, between regular periods of inventory taking, a physical inspection being made or a stock count taken. Most merchants

² Ray E. Bigelow, 'Simplification in a Retail Store,' *System*, March 1926 (reprint).

take stock as an aid to current buying, since it gives them a check on slow moving stock and also serves as a check by items on the book inventory

Perpetual Piece Control—This system of control involves current records indicating the number of items of each piece line, style, material, color, size, and model in stock, and the ratio of this number to the number of items sold. The systems vary with the stores, and it is doubtful if any single system of piece control goes into all the details listed above. It involves a continuous paper record of every item in stock. The number of each item on hand, plus the number purchased and received, minus the number sold, equals the number of each item in the current stock.

Such a system is not equally practicable in all classes of merchandise. It is, however, especially applicable to men's clothing because here, the number of items is not excessive, and each unit of merchandise has a substantial value.³

Perpetual piece control is not a substitute for dollar records, nor does it eliminate the necessity of the physical inventory and stock taking. It is a supplementary device for the use of the merchandise division, and must be properly coordinated with dollar records and actual counts. A perpetual piece control reduces the need for frequent counting of merchandise, and it provides a current statistical picture of merchandise movements which will aid in any activity connected with buying and selling. The perpetual piece control is most effective in the larger stores, and it overcomes many of the disadvantages of dollar control. For example, unit stock control overcomes the weaknesses of value control. Dollar control may show that suit sales amounted to \$50,000 last year, but it does not show that 80% of the sales were made in \$40 and \$50 suits, while the stock in these suits amount to 50% of the total stock. Merchandise facts, such as buying activities, selling

³ University of Ohio Business Research, *op cit* p. 41

operations, and stock turnover, can effectively be analyzed only through the use of continuous records, in terms of actual pieces

Perpetual Piece Control Records—The nature of current information pertaining to the merchandise is a problem for the particular store. For example, color control is important in stores featuring style. Price line and size control is important for all stores. Most of the records include the following data:

- 1 The manufacturer's name and number
- 2 House lot number, including in some cases material identification, season letter or number, and order of arrival number
- 3 Cost and retail price of the item
- 4 Total number of the item ordered
- 5 Total number of the item received
- 6 Size and body type distribution
- 7 Description of garment
- 8 Individual sales data
- 9 Returns by customers and returns to manufacturers
- 10 Price changes
- 11 Dates of posting

Forms for Piece Control Records—After the store has decided on the type of information which is to be included in the piece record, the form in which the record is to be kept must be chosen. The record may be kept in a card file system, a loose leaf ledger system, or in a visible index system. Although the visible index system is highly efficient, it is possible that most clothing stores might make use of one of the other plans with equal efficiency. Here again, the size and type of store should be the controlling factors.

There is no standard arrangement of the piece records. Probably more stores maintain the piece control record by prices and sizes in each subdivision or classification.

The location of control records in the store organization follows the centralized or decentralized plan as discussed in an earlier section of this chapter. The problem is to decide which system is best suited to the particular store, and is largely a question of size and type. It is important that the one in charge of control be more than an accountant; he should be a merchandising man. In fact, the merchandising aspect of control is the important thing, as it is the proper interpretation of these records which makes for a sound merchandising policy.

Installing a Perpetual Piece Control System—Control systems may be installed by accounting firms, manufacturers of regular systems, the business service departments of wholesale distributors, and similar departments of trade associations. Before installing the system, certain information is essential, for example, information as to net sales for past year, inventory at the end of the year, percentage of gross profit to total sales for past year, percentage of gross expense to total sales for past year, and proportion of this total expense going to personal drawings. Other information, such as time for inventory taking, rental, indebtedness to merchandise creditors, banks, and others, size and location of store, number of employees, bookkeeping system used, extent of departmentization, and finally, the form of ownership organization, all these are helpful.

Before the piece control system can operate, the stock on hand must be inventoried in detail. After the inventory has been taken, it is necessary to coordinate all of the paper records of the merchandise from the time it is ordered until it is sold, so as to be sure that the piece control office has a paper account of all merchandise transactions.

The following records of merchandise transactions in terms of pieces are absolutely necessary for the piece control record:

- 1 "On-orders"
- 2 Receipts

- 3 Sales
- 4 Returns by customers
- 5 Returns to manufacturers
- 6 Price changes, including both markups and markdowns

Operating a Perpetual Piece Control System—A piece control record necessitates a detailed record on paper of each merchandise transaction. The items involved are orders, receipts, sales, returns by customers, returns to manufacturers, and price changes. Sales information may be obtained from sales slips or the clothing ticket system. Most stores prefer the clothing ticket system. Sales information is recorded daily, monthly, and by seasons.

Receiving practice assumes the form of (1) posting the receipts on the invoice, (2) posting receipts from the receiving sheet, and (3) posting receipts directly from the merchandise. Which practice will be followed is again an individual store problem, and depends largely upon the size of the organization. If a small store, the merchandise may be checked against the invoice.

There is some question as to the value of "on-orders" but it must be remembered that, in some items of men's wear, from 50% to 75% of the orders are placed in advance. The "on-order" record thus permits a strict account of purchasing activities.

Returns by customers are not such a problem in men's wear retailing as they are in the retailing of women's ready-to-wear, therefore an elaborate system of recording merchandise returns is unnecessary. Although special tickets may be devised on which to record merchandise returns, most stores prefer to remove all visible tags and tickets and to record the return data on the sewed-in ticket in the inside pocket.

Merchandise returns to the manufacturer are likewise not a prominent feature in men's apparel retailing. Some returns, however, must be made from time to time, and special forms should be made out for this purpose. This is especially true

in the larger stores, for reference when it is necessary to check mistakes traceable to the failure of the receiving department to return goods after being ordered to do so

In men's clothing stores, price changes are continually necessary. To meet this need, the markup or markdown slip which is illustrated on page 232 is satisfactory. In the actual re-marking of a garment, as explained earlier, the original tag may be used by marking out the original price and inserting the new price below. Or a special markdown ticket may be used in place of the original ticket, but the data on either of these tickets fully identify the garment as to manufacturer, house lot, price, style, and size.

The verification of piece records may be accomplished by (1) taking physical inventory, (2) stock taking, and (3) physical counts of particular lots.

Using Perpetual Piece Records—The only justification for installing a perpetual piece control system is to use it actively. If they are to serve as a guide for merchandising policy, the piece records must be studied and summarized. From the records, various reports may be drawn up, which will furnish a basis for operating policies. Perhaps the best way to indicate the content of these reports is to list some of the reports made by various stores that are using a perpetual piece control system. The periodic reports and analyses include

- 1 Weekly reports of unit sales, stock, and on-orders by sizes and price lines in each merchandise classification
- 2 Monthly reports of unit sales, stock, receipts, and "on-orders" by price lines and sizes in each merchandise classification
- 3 Seasonal summaries following information as in (1) and (2)
- 4 End of season piece analysis by merchandise classification for each manufacturer according to
 - (a) Total number of garments received

- (b) Number of garments sold at regular prices
- (c) Number of garments sold marked down
- (d) Number of garments marked down
- (e) Number of garments carried over

The special reports include

- 1 Historical analysis of purchases, sales, markdowns, stock and carry over for individual manufacturers
- 2 Stock analysis in terms of styles and material
- 3 Special analysis of stock on hand by seasons
- 4 Reports of slow selling lots of merchandise

It is in these special reports that valuable information may be obtained, yet it is overlooked by many. Once a control system is installed, one of the big difficulties is to get merchants to make full use of it. Reports of the above type indicate that stock control may serve as a valuable guide to merchandising policies.

Cost of Operating a Stock Control System—The majority of control plans are readily adaptable to size and type of store, these vary a good deal and the cost varies accordingly. Many systems require no more work than the ordinary book-keeping systems. Indeed, it is not infrequent that the installation of a control system decreases the amount of clerical work. Accurate data covering the cost of operating a perpetual piece control system are lacking, except in a few instances where the control is decentralized. Based on these figures, for men's ready-to-wear clothing stores, the cost of operation averaged about 5 of 1%. The cost appears to decrease as the sales volume increases.

What Stock Control Will Do for the Retailer—What with the educational work of the trade associations and wholesale distributors, and the necessity for improvement of merchandising methods as a matter of competitive survival, retail clothiers and furnishers are beginning to appreciate the advantages of stock control. The installation of a stock control

system enables better performance of the services of retail distribution. Its use develops better merchants. In those stores now using such systems, better results than those already obtained will be realized when the information available from the various records is more extensively used. Each store should diagnose its merchandising needs and make its stock control records the chief elements in the diagnosis. Stores should also determine the cost of operation, so as to secure the system that is most profitably adapted to the store. In most stores, it is advisable to have both value and physical control. The physical health of the business is just as important as the financial health.

When it comes to describing the benefits attainable through stock control, it must be remembered that these benefits depend upon intelligent use. Stock control is no panacea for business success; it requires skill and intelligence in formulating operating policies based on rightly understood control records.

Before listing the various advantages of a control system, it is interesting to note the opposition to stock control. First, we must differentiate between prejudice and fundamental criticism. Frequently, one hears such comments as

- 1 The cost of operation is too high
- 2 You can't merchandise from books
- 3 Records are rarely accurate
- 4 Buyers won't use the records
- 5 Perpetual piece records are not so economical and satisfactory as frequent stock taking

Such comment does not point to any defects inherent in the system, but rather to misuses of the system.

ADVANTAGES OF STOCK CONTROL The advantages resulting from the intelligent use of stock control are

- 1 Stock kept on hand is cleaner, that is, it is in a more salable condition. Sizes are better distributed, and old and out-of-date stock is kept to the minimum practicable figure.

2 Average stock investment is reduced—a natural result of stock simplification and better stock distribution. As a result of decreasing the average investment, the rate of turnover is increased.

3 Sales volume is increased. The piece control system calls attention to the movement of individual items, and this increased attention to the stock as a whole results in more effective merchandising practices.

4 Sources of loss are discovered and in many cases their remedies are immediately suggested by the data in the piece control records. Markdowns, for instance, are decreased, because the failure of an item to move is at once caught, and the markdown can be taken soon enough to prevent an extreme loss. Stock shortages, too, are readily detected, with results that are eventually reflected in increased net profits.

5 A control system imparts an aggressiveness and an alertness to the organization, which is attractive to customers as well as to those within the organization.

6 For credit and distribution reasons, producers prefer to deal with retailers having a control system.

7 Permits a community and store analysis through stock records.

8 Stock simplification is made easy. The price lines carried may be reduced to those which are selling sufficient volume to justify continuous stocking. The goods of too many different manufacturers are often carried in stock, leading to duplication and overstocking. This can best be prevented when stock control is used.

The whole matter of stock simplification is influenced, however, by more than one form of control. It is a matter of rather wide ramifications in retail merchandising and merits our detailed attention.

Stock Simplification

The term *simplification*^{*} was probably first used with reference to the industrial simplification which necessarily attended

^{*}M. T. Copeland: Principles of Merchandising, pp. 314-318.

waitime activities. For example, during 1917-1918 conservation schedules were issued, or were prepared for issue, for 269 industries. In automobile tires, the number of sizes and types of pneumatic tires was reduced from 287 to 32 with provision that further restrictions would be made in the future. The number of sizes and types of steel plows was reduced from 312 to 76. But simplification is more than a production policy, it is also a merchandising policy.

As applied to retailing, simplification refers to the elimination of unnecessary items and activities. By an unnecessary item is meant one for which there is a limited demand. Thus, in the field of retailing, simplification applies to the elimination of items of stock that do not sell in a particular community, to the discarding of price lines for which there is a limited demand, the elimination of sizes, and, likewise, of styles and models, for which there is little or no demand. It also applies to the concentration of purchases with a few merchandise resources and to a certain standardization of the functions and duties of the various members of a particular retail organization. It thus applies with some emphasis to practically all phases of retailing.

Perhaps all retail clothing stores could profit through some simplification, but there is danger that the program may be pushed too far, in forgetfulness of the retailer's essential function, it is his community responsibility to "retail," and retailing is having the right amount of the right goods in the right place at the right time and at the right price. The increase in the standard of living has brought with it a wide and varied consumption, and retailers should stand prepared to meet this demand. Customers have been known to stop trading at a particular store because of insufficient opportunity to exercise choice—the selection was not wide enough. Stock simplification that eliminates items demanded by consumers is poor business.

There are many examples of retail simplification. In fact,

the development of chain stores illustrates this policy and within the chain, the fixed price policy, and the policy of specialization in price lines other than the single fixed price line

Independents, also, have made progress toward simplification. In one store, purchase of the clothing line was cut from 18 different manufacturers down to 4. Purchase of hats was reduced from 10 different sources to 2, of caps, from 6 to 1, of shirts, from 12 to 2, of collars, from 5 to 1, of hosiery, from 12 to 2, of underwear from 15 to 3, and of neckwear, from 20 to 4. The purchase of bathrobes was concentrated in one concern. In general, this store cut from 101 sources of supply down to 19.⁴

Price Concentration—By price concentration is meant concentration on the best selling price levels. These price levels may be easily obtained from stock control records, as it is a function of stock control to offer information of this type. Price concentration as a simplification problem may also be

TABLE 16 ANALYSIS OF THE NEW YORK MARKET

Per Cent of Population	Average Expenditure	Per Cent of Total Spent in New York
6	\$9,700	18
61	3,750	66
33	1,750	16

approached from the viewpoint of the various income levels that make up the local market, as was illustrated in Chapter 2. If the purchasing elements of the community are analyzed, it will be found that there are certain broad income classes, each of which demands merchandise at prices which its members can afford to pay. An example of the New York market

⁴For further discussion see *Price Lining* by Walter Hoving, executive vice president of R. H. Macy New York, in *The Buyer's Job*, article 5, issued by the Merchandise Managers Group of the National Retail Dry Goods Association (no date given).

shows three purchasing classes. These classes have average expenditures per family of \$9,700, \$3,750, \$1,750, as illustrated in Table 16.

On this estimate it is reasonable to assume that those in the first income group are in a position to pay from \$65 to \$75 for a suit of clothes, those in the second income group, from \$40 to \$65, and those in the third income group, from \$22.50 to \$45.

ADVANTAGES OF PRICE CONCENTRATION The various advantages of price concentration, or price lining, are, in part, advantages common to all phases of retailing that are affected by the principle of simplification. Some of the possible advantages of price concentration are listed below:

1. Increased sales result from having complete stocks in fastest selling price ranges.
2. Goodwill is developed, because chances of being out of stock are reduced to a minimum.
3. The problem of controlling stocks is simplified, as a result of using fewer prices.
4. Selling efforts may be more effective, because time is not consumed in showing a wide range of prices.
5. Selling costs are sometimes reduced because the time spent in deciding between different prices is reduced to a minimum. In a like manner, the buyer's time in the wholesale market is minimized.
6. Price lining points towards a better utilization of space and a reduction in the cost of marking goods.

All these advantages of price concentration—the larger markup, smaller reserve space, saving in clerical and stock salaries, faster selling time, greater turnover, etc.—are cumulative in their effect, they all work together to enhance the store's main objective—an increased net profit.

Many of the arguments advanced under the discussion of simplification are nothing more nor less than plain common sense applied to retailing. Yet it is remarkable, the number

of stores that have yet to wake up to the benefits to be derived from a program of simplification. In warning, however, it must be pointed out that some disadvantages are to be guarded against.

DISADVANTAGES In the first place, there is a temptation to carry simplification a little too far. In his effort to simplify stocks and prices, the retailer may fail to serve his community adequately. Care must be taken, too, in the use of the records of previous sales which are generally used as the basis of a simplification program. In men's clothing, for example, only 20% of the total business may have been done in the \$25 price line during the regular selling season, but, because of markdowns from higher price levels, it may appear that 30% of the business was done at \$25. Evidently, in using this latter percentage, there will be a tendency to trade-down, and the stocks will be heavy in the lower price lines. Thus, in addition to possible failure to meet demand, simplification may have a trading-down effect.

Summary—Successful retailing requires the exercise of control over the various sources of profit. The best way to do this is to estimate, in advance, detailed budgets of expenses, sales, and merchandise. In order to secure the necessary facts upon which to make up the merchandise budget, control over stocks is necessary. Through stock control the retailer can determine his ideal stocks, and, at the same time, ascertain which departments, items, models, and prices are the most profitable.

The disadvantages of budgetary and stock control arise largely from misuse of a control system. It must be remembered that a budgetary and stock control system is a merchandising program and not a bookkeeping system.

The advantages resulting from the proper use of a budgetary and stock control system are numerous, and every time they lead to greater profits through reduced expenses and

controlled stocks. One conspicuous advantage deserves special mention, namely, the program of simplification that such control makes possible. Simplification of stock and procedure not only reduces many wastes of retailing, but leads constructively to progress.

In view of the economic conditions surrounding retail distribution, a budgetary and stock control system is almost essential. Very few stores are too small to benefit from a well-ordered merchandising program, and to the big store it is indispensable. If opposition is met from the retail buyers, all that is needed to win them over is simply to see that they get a clear understanding of the system as it applies to their duties.

Naturally, any general system of budgetary and stock control must be adjusted to meet the needs of the individual store. The present chapter has stated the principles that the retailer should remember when he is trying to operate his store along the lines of a system of planning that has been worked out on the basis of investigational facts. He should also, in developing his individual necessities, consult with trade associations, manufacturers, and accounting firms.

CHAPTER 14

STOCK TURNOVER, EXPENSES AND PROFITS

No matters are of greater importance to the individual retailer than turnover, expenses, and profit. Increased competition has been accompanied by increased expenses, and, consequent in part upon both, the opportunity to make a reasonable profit has become more difficult. Yet, despite their importance, few retailers know, with any accuracy, how much their expenses come to, or what their profit really is. And they usually know even less about their turnover. Year after year a merchant will appear to be operating at a profit and end the fiscal year with nothing more than a salary for his services, perhaps even a loss.

There are two aspects to expenses and profits. One has to do with the problems of individual store management—the local market, location, personnel, buying, selling, advertising, budgeting, and turnover are all problems for the individual retailer, and directly affect his expenses and profits. Another aspect has to do with what might be termed the general economic problems—retail competition, the number of competing retailers, the influence of the business cycle on retailing, and other economic factors which are superimposed upon the retailer's individual store problems, and which he must also successfully meet, in order to end the year with the balance on the right side of the ledger. It is the object of this chapter to analyze these various factors, which are so vital in the determination of profits.

In its two main divisions the chapter follows the two aspects of the expense and profit problem under the headings (1) profit factors of the individual store, and (2) the general

economic factors affecting profits. Because of its close relation to expenses and profits, stock turnover is treated in the first division.

Profit Factors of the Individual Store

Every aspect of retailing thus far discussed has an effect upon the profits. More specifically defined, profits are a function of cost of goods sold, sales, turnover, maintained markup, and expenses. The importance of the maintained markup was noted under "Retail Prices and Price Policy," Chapter 10. The problems connected with selling have also been discussed, although we must again consider sales with respect to turnover. But the most sensitive, single factor having to do with expenses and profits is turnover. In a sense, it is the pulse of the business. As a matter of emphasis, then, turnover is considered here at the beginning of the discussion, in connection with profits.

Importance of Stock Turnover—Stock turnover is an index of merchandising efficiency. It symbolizes the degree of economy with which capital is used, serves as a check on the effectiveness of the buying and selling program, determines whether the merchandise purchased is adapted to the needs of the community, and points to the adequacy of the price policy.

A quick turnover offers many advantages. As just noted, it makes capital more effective. It reduces the number of markdowns, which are, in the last analysis, the result of slow turnover. Without a fairly rapid turnover, selling expenses are too great. A rapid turnover assures fresher stocks, proportionately smaller expense, and increased store prestige.

Yet to over-stress turnover involves a certain danger. Many retailers have an idea that, by limiting their buying, and therefore having to buy more frequently, they increase their turnover. Hand-to-mouth buying is valuable when guided by good judgment. But it may easily be so misused that the store

will be rendered unable to have goods at the time and place desired by customers

What Is Turnover?—The disposal and replacement of a given stock of merchandise is called the stock-turn. The rate of stock-turn is the number of times that merchandise equivalent to the average stock on hand during a given period is sold and replaced during that period. The rate of stock-turn is the quotient found by dividing figures representing the average stock into figures representing the sales, all figures being expressed in the same units. The period chosen may be of any length and either fiscal or physical units may be used to measure stock and sales. The rate of stock-turn is more often expressed in terms of a year. That is, 3 means a stock-turn of 3 times per year. Probably the most desirable way to determine stock-turn is on the unit basis, but most retail clothiers find it difficult or unnecessary to keep stock records by units or pieces, so the general practice is to figure turnover on a dollar and cents basis. To get the best results from turnover estimates, they should be figured by departments and items. In harmony with the best practice, turnover should be computed on the basis of selling price.

The rate of stock-turn thus expressed as a relationship existing between average stock during a given period and sales for that period, may prove inaccurate for control purposes. To obviate this difficulty, the stock-sales ratio is used¹. This ratio presents the relationship between stocks at a given time and sales during a given period. The stock figure represents the inventory at a given instant rather than the average inventory during a given period.

Relation of Stock Turnover to Expenses and Profits—Many of the expenses of retailing are relatively fixed. Therefore, although expenses will generally increase as turnover and sales increase, the expense increase will not be proportionate

¹ C. N. Schmalz *Harvard Review* July 1928

An increase in turnover is thus accompanied by a relative decrease in total expense. For example, in figures gathered by the Harvard Bureau of Business Research, total expenses showed a relative decrease with increased turnover. Practically every item of expense showed this relative decrease with the increased turnover.

In general, net profits increase as the rate of turnover increases. However, stock turnover cannot make a profit out of a loss, and it should always be considered in connection with expenses. As a matter of fact, the real relationship of turnover to profits is found in the fact that expenses do not increase proportionately with sales. If sales can be increased while stock is maintained at the same level, or if sales remain stationary while stocks are decreased, larger profits will result. It is therefore desirable in retail clothing stores to attain the most advantageous proportion of stocks to sales.

Increasing Turnover—In order to secure a high rate of turnover, the retail clothier should have sufficient stock to meet the demands of his customers. Slow selling lines should be eliminated as much as possible, markdowns must be taken if necessary. The entire program of stock simplification makes for an increase in turnover. Stock simplification has to do with prices as well as items, and prices should be adjusted to the point where the goods move most quickly. The proper type of sales effort—such as personal selling, advertising, and window display, will also speed turnover. Finally, one of the most effective methods of securing a rapid turnover is through a careful analysis of consumer demand, although this analysis is of little value unless merchandise policies are adapted to it. Thus we discern the logical basis of our earlier discussions, for the process of adaptation involves the use of a stock control system.

The question of turnover transcends every other aspect of merchandising and concerns every aspect. The foregoing

paragraph simply summarizes material that has been presented in more detail elsewhere

What Is the Proper Turnover?—Every line of retail clothing and furnishings has an average rate of stock-turn. That is, a rate which is supposed to be a good average for that particular line, although local conditions and differences in price policy may make some differences. Some retailers, for example, who make a "class" appeal, may secure a large markup with, in some cases, a fairly narrow turnover. Experience has taught many retailers to expect a rapid turnover on some lines and a much slower turnover on others. The same generalization holds true for turnover at the various price intervals.

Variations in Turnover Based on Size and Type of Store—The larger number of independent stores expect to get a stock-turn between two and three on suits and overcoats. In some cases the rate is much higher, in others much lower. For furnishings they expect to get an average turnover of

TABLE 17 AVERAGE TURNOVER FIGURES FOR BOYS' DEPARTMENT

	Average	Highest
Boys' Clothing	2 22	4 43
Boys' Furnishings	2 16	3 28
Boys' Hats	1 99	2 75
Boys' Shoes	2 16	3 32

between three and four. For men's and boys' hats, the average range of stock turn is between three and six. In order more accurately to determine turnover in men's wear stores, several studies were made by the writer. Turnover figures for the boys' department were also submitted by a number of stores. The average and highest figures for this department are shown in Table 17.

In unit clothing stores, the turnover of the various divisions appears to increase as the total sales volume increases. There is a slight exception to this general statement, in that work clothing does not show this graduated increase in the rate of turnover as the annual total sales increase. In smaller men's stores, men's furnishings, hats, and work clothing enjoy the highest rate of stock-turn, and men's clothing and boys' clothing a comparatively low rate of turnover. As the sales volume increases, the turnover increases in men's clothing, in furnishings, in hats, and in boys' clothing. These statements are illustrated in Table 18.

TABLE 18 TURNOVER OF MERCHANDISE IN MEN'S RETAIL CLOTHING DURING 1927

Annual Total Sales Volume	Men's Clothing	Men's Furnishings	Men's Hats	Boys' Clothing	Work Clothing	Men's & Boys' Shoes
Below \$100 000	1.9	2.3	2.2	1.5	2.6	2.1
\$100 000-\$200 000	2.4	1.9	3.6	1.8	3.3	1.7
\$200 000-\$500 000	2.6	2.7	3.9	2.1	2.6	2.3
\$500 000-\$1 000 000	3.9	3.2	4.6	3.0	3.2	3.7
Above \$1 000 000	3.0	3.5	4.0	3.2	1.0	2.8

Special Survey of Turnover of Furnishings—In an extensive study of turnover in furnishings goods undertaken by the writer, the stores supplying the data were grouped according to annual sales volume. The results of this survey are given in Appendix B, Table 35. From figures of this nature the retailer should be enabled to get an idea of how his turnover compares with that of other stores comparable to his own.

Expenses and Profits—In our discussion of turnover as a factor in profits, it was shown that certain expenses remain fairly fixed, so that an increase in turnover must necessarily result in a greater profit. It is just as important to know what these expenses are and to what degree they can be lowered. Many retailers have operated on the idea that greater profits are due solely to increased sales. This is a false notion. Sales may remain constant, while profits increase, even more, sales

may decrease, while profits increase. The secret lies in a skilful decreasing of expenses, a more effective utilization of floor space, and the elimination of slow moving lines.

It would seem quite obvious that a knowledge of expenses of doing business is imperative, yet many retailers have operated for years without this knowledge. Knowledge of expenses stops leaks in the business, enables the retailer to determine the cost of selling different lines and of maintaining the various departments. And, perhaps most important of all, based upon this definite information, an operating expense budget may be set up to serve as a guide to future policy.

Knowledge of expenses is a firm basis for valuable comparisons that are, in reality, tests of a man's ability. The retail clothier needs to know whether he is spending too much or too little for salaries, rent, advertising, and other expense elements in comparison with his competitors who are doing the same volume of trade. Information of this nature is made available from time to time by trade associations, university bureaus of business research, and governmental research agencies.

Before analyzing in detail some of the various expense divisions, some of the business terms used in this chapter will be explained. A looseness of terminology frequently carries an altogether wrong connotation to the reader.

The Terminology of Profits and Expenses—Gross profit, or gross trading profit, is the difference between the net sales and the cost of the goods sold. Net profit, or net trading profit, is the difference between gross profit and the total expense of doing business. In computing the percentages of gross profit, operating expenses, and net profits, the policy varies. Some use, as a base of computation, the amount of sales, others the cost of goods sold. The use of sales for the computation of such percentages is preferable.

The expense or cost of doing business is made up of the various operating expenses, such as salaries, advertising, busheling, taxes, insurance, freight, rent, reserves, and such general expenses as light and heat, telephone and telegraph, supplies, repairs and maintenance, delivery, and miscellaneous general expense.

Every proprietor should include among his expenses a salary for his services equal to what he could earn if he were doing the same work for some one else. Various estimates have been made as to the amount proprietors have drawn as salaries. One estimate gives a range of \$1,350 to \$10,000. At any rate, reasonable salaries for owners active in the business should be included as an operating expense. Where wide comparisons are desired, a rent allowance on buildings owned should also be included as an expense item.

Interest on Owner's Investment as an Expense Element—There is some difference of opinion as to the advisability of including interest on the owner's capital investment as an expense. On one side, the opinion is advanced that the business man has no assurance of earning interest on his investment, that, unless he conducts his business efficiently he has no right to receive interest, and hence, that interest should come out of profit and not be included as an operating expense. But it is argued that it is a sounder and more satisfactory economic practice to include interest as an expense, for the reason that no profit is made until the invested capital has received a fair rate of interest. Interest on borrowed funds is an actual outgo, it is just as much an expense as the wages or rent. Although custom is not in agreement, it is strongly urged that interest on both borrowed funds and owned capital be included as an expense.

Variations in Gross Profits—Gross profit realized by retail clothiers depends upon the cost of goods sold, sales,

turnover, maintained markup and expenses. Owing to the differences in these factors, there is a wide variation in the percentage of gross profits realized by different dealers handling the same class of merchandise. In a study made of retail clothiers and furnishers, for example, average gross profits showed a range from 26.4% to 34.1%.

Variations in Operating Expenses—There is also a considerable variation in operating expenses. This variation is noted not only between dealers handling different classes of apparel, but also between retailers handling about the same class of merchandise. Several reasons may be offered. Urban stores generally have higher operating expenses in relation to sales than similar stores in smaller towns. This is due primarily to higher wage scales, higher rents, and, to a lesser extent, higher cost of advertising and delivery. This correlation of increasing expenses of a given class of retailers with increasing size of town in which they are located, is well illustrated in a study of retail clothiers made by the Bureau of Business Research of Northwestern University. (See Appendix B, Table 36.)

Merchandising efficiency as applied to the individual store may be measured by the volume of sales per salesperson, volume of sales per square foot of space (or per dollar paid for rent), and the volume of sales per dollar invested in merchandise, that is, the rate of stock turnover.

The wages of salespeople make up the largest single item in the expense account of most retail clothiers. Annual sales serve as a measure of the efficiency of salespeople, the efficiency of non-selling members of the store organization is more difficult to estimate. The volume of sales per salesperson varies with different classes of goods and with prevailing prices. For example, retail clothing salesmen had average sales of approximately \$11,000 per man in 1914, approximately \$20,000 in 1919, and approximately \$25,000 in 1928.

A goodly part of this extreme variation is due to the higher price ranges prevailing at the later date. Various estimates have been worked out for the volume of sales per salesperson. The results of two such studies are given below. The first study is that of the Bureau of Business Research of Northwestern University (Table 19),⁴ the second study is the result of information collected by the author (Table 20).

TABLE 19 VOLUME OF SALES PER SALESPERSON
(Retail Clothing Stores Having Sales from \$40,000 to \$80,000 in 1919)

Sales per Full time Salesperson	Number of Stores	Per Cent Selling Expense	Per Cent Total Expense
Under \$12,000	15	6.0	20.6
\$12,000-\$16,000	31	6.3	18.9
\$16,000-\$20,000	22	4.6	17.0
\$20,000-\$24,000	7	4.6	15.9
\$24,000-\$32,000	8	4.3	16.6
\$32,000 and over	13	3.1	14.3
Average and Totals \$16,669	96	4.8	17.2

TABLE 20 ANNUAL SALES PER PERSON ENGAGED IN SELLING

Annual Sales Volume	Number of Stores Reporting	Averages	Ranges in Average of Sales per Person Engaged in Selling
I \$25,000-\$49,999	9	\$19,307	\$ 8,000-\$32,000
II \$50,000-\$99,999	25	23,313	14,000- 33,000
III \$100,000-\$249,999	37	29,123	18,000- 42,000
IV \$250,000-\$499,999	15	24,466	14,000- 32,000
V \$500,000-\$999,999	8	24,963	16,000- 46,000
VI \$1,000,000 and over	5	30,186	9,000- 47,000
	99		

It is sometimes difficult to secure a large volume of sales per salesperson for the reason that customers are irregularly distributed through the day, and the dealer tries to have enough

⁴ Retail Clothing Survey, Northwestern University Bureau of Business Research.

salespeople to serve them at the busiest time in order not to lose any business. Moreover, a salesman in a department having a greater turnover or a higher unit sales value will, of course, have a higher average

Analyzing Retail Selling Costs—A detailed analysis of retail selling costs made by the U. S. Department of Commerce indicates the type of information to secure and is of further interest because of its method and suggestiveness. The salesman's time was analyzed with respect to the following points

- 1 Total amount of sales
- 2 Total number of items sold
- 3 Total time devoted to selling on each sale
- 4 Total time devoted to service on each sale
- 5 Total time devoted to interviewing
- 6 Total time devoted to stock care
- 7 Time devoted to "pick-ups"—"Time spent in handling orders delivered to customers through their personal messengers"
- 8 Waiting time—idle time of the salespeople while on duty

The detailed distribution of a salesperson's time was: waiting or idle, 33%, caring for stock, 17%, interviewing, 8%, pick up orders, 3%, service, 13%, selling, 26%. The report showed further that a charge sale takes more time than a cash sale.⁸ This government study was not concerned with clothing specifically, but retail clothiers would do well to use it as a guide in making a similar analysis of their selling costs.

Rents will average from 2% to 5% of total expenses for most classes of retail clothiers. Space is so expensive, especially in the good locations, that the most efficient way to use it should be carefully thought out. An interesting fact brought out in the experience of the Budgetary and Accounting Service

⁸ G. E. Bittner, *Analyzing Retail Selling Costs*, U. S. Department of Commerce, 1928.

Department of the National Association of Retail Clothiers and Furnishers was the fact that there was either too much space in some stores or else the space was not fully utilized. Too much space is not only a source of expense in itself, but its results are costly, it leads to the waste of salespeople's time and careless stock keeping, it may even curtail sales by giving the appearance of emptiness. In reference to this last point the following figures, summarizing a study of sales per square foot, are presented (Table 21)

TABLE 21 AVERAGE VOLUME OF SALES PER SQUARE FOOT

Annual Sales Volume		No. of Stores Reporting	Average Volume per Square Foot
I	\$25,000- \$49,999	9	22 23
II	\$50,000- \$99,999	25	31 52
III	\$100,000-\$249,999	37	52 24
IV	\$250,000-\$499,999	15	58 31
V	\$500,000-\$999,999	8	110 96
VI	\$1,000,000 and over	5	144 46
		99	

Operating expenses are affected to some degree by changing prices. This is due, as explained in another chapter, to the fact that many expenses are relatively fixed, and do not change so rapidly as commodity prices. For example, rents are often based on long term leases and do not change until several years after prices have changed. In other expense items, also, there is a lag that contrasts sharply sometimes with the promptness of price movements. So far as profit is concerned, however gains made on rising prices are as often lost in falling prices.

Operating Expenses and Size of Store—It has often been assumed that large-scale retailers have lower operating expenses than the small storekeeper. This assumption rests

on an analogy with manufacturing concerns which, up to a certain point, are said to operate under the law of decreasing costs, namely, as volume output increases, cost of producing decreases. This decrease is based upon the effective utilization of labor-saving machinery and the division of labor. But stores are not in a position to make much use of labor-saving machinery, and their opportunities to benefit from a division of labor are limited. To be sure, the large store can divide labor used for selling, buying, stockkeeping, delivery, and supervision, but any resulting advantages are counterbalanced by the expense of developing record systems and of supervising a large body of employees.

It has also been pointed out that decreasing costs accrue to the benefit of retailers because some of the dealers' expenses are fixed and some are variable. Since only the variable expenses will increase with an increase of sales, the larger store is supposed to have a lower percentage of operating expenses. Sales do not, however, increase very much without soon requiring more space, which means an increase in the fixed charges. A retail clothing store with sales of \$30,000 to \$50,000 very often is economically utilizing the space it occupies. From these facts, the more logical assumption is that the principle of decreasing cost operates within very narrow limits, if at all, in the case of merchandising. Merchandising is rather an industry of constant cost.

The statement earlier made that the operating expenses of retail clothing stores increase with the size of the town in which the stores are located will be a further consideration. Evidently, if this is true, part of the increased expenses of larger stores are due to size of town rather than volume of sales. There is also the fact that the larger stores have to draw customers from a wider area, and must, therefore, spend more on advertising and service. The figures shown in Table 22 indicate that volume of sales had only slight influence

upon the average expenses of clothing stores in towns of the same size ⁴

TABLE 22 EXPENSES OF RETAIL CLOTHING STORES
IN CITIES OF LESS THAN 40,000 POPULATION
(Classified According to Volume of Sales, 1914,
1918, and 1919 combined)

Volume of Sales	Per Cent of Total Operating Expenses
Under \$40,000	20 4
\$ 40,000-\$ 80,000	19 2
\$ 80,000-\$180 000	19 9
\$180,000 and over	20 4

Statistics on Expenses and Profits—Tables 36 and 37 of Appendix B contain statistics of expenses and profits for retail clothing stores. The stores supplying these figures were unit clothing stores. Care should be exercised in drawing conclusions from figures of this type because of the small number of cases involved, in some instances, and the variations in record keeping, in others. For example, some retailers charged many miscellaneous expense items to advertising. Practices of this type distort the real value of the data.

From Table 37, Appendix B, which gives the per cent of expense to gross sales during 1927, certain tendencies are to be noted. Expenses increase with size of store up to the amount of \$1,000,000, and then decrease slightly. Salaries decrease as the sales volume increases, while advertising increases with the increased sales volume. Rent increases, whereas busheling, taxes, insurance, freight, express and parcel post, and reserves remain about the same. These generalizations are not to be interpreted as average, they represent merely the results of one quantitative study.

From the data at hand, profits were high in 1924, but reached the peak in 1925. During the years 1926 and 1927,

⁴ Northwestern University Bureau of Business Research

profits in retail clothing stores declined. According to figures of the National Association of Retail Clothiers and Furnishers, a store doing a business of \$100,000 to \$250,000 per year enjoys the highest rate of profit.

Business Failures—As most business failures are due to the faults of the persons involved, this topic is treated as an aspect of the individual store. Dun and Bradstreet annually report business failures which, on the surface, do not seem to give cause for alarm. But these reported failures are only among those firms whose creditors do not receive one hundred cents on the dollar. There are many other failures in a very literal sense that are not reported. It often happens that a retail clothier who sees that he is losing money and can not hope to do any better, decides to get out before his capital is all gone, even though his creditors thereby suffer loss. Again, the term failure might well be applied to that rather large group of retailers who scarcely earn a salary for their services.

Causes of Failure—The Bradstreet Company has conducted research into the causes of business failure, and it divides these into two groups:

I Due to faults of those failing	
Incompetence	34.5%
Inexperience	5.2%
Lack of capital	34.9%
Unwise credits	2.2%
Speculation (outside regular business)	4%
Neglect of business	6%
Personal extravagance	3%
Fraudulent disposition of property	3.6%
II Not due to faults of those failing	
Specific conditions (war, floods, etc.)	14.8%
Failure of others	1.1%
Competition	2.4%
Total	<hr/> 100.0%

To avert the causes of failures, several proposals are offered. One is that the individual desiring to enter the retail business should be required to pass a simple examination upon

the elementary principles of merchandising. Another is that the applicant (for retailer's license) show that he has sufficient capital, and, still further, that he show that the community where he desires to operate is not already over-equipped with similar stores. These proposals in a certain sense defeat the purpose of competition, and in the last analysis they do not pass upon the real fitness of the individual for the retail business. There is room here for constructive study of an important problem.

Profits a Problem in Proportionality—How may one account for profit differences between stores of the same size and type? Is there any one ideal size for a retail clothing store? Questions of this type arise as one reviews the successes and failures of retail stores. The fundamental answer to such questions is indicated by the established fact that profits result from the wisely balanced proportioning of the elements of retailing, and their effective utilization. Is the size profitable? The answer depends on the retailer's ability to determine his most effective relationship between sales, stocks, and expenses. One of the difficulties of the small town retailer is that he cannot carry a sufficiently wide stock and still operate at a profit. On the other hand, many of the very large units cannot enjoy large profits because of their very heavy expenses. To determine this profitable proportioning, records must be kept, and from them policies developed. Study and analysis will often show that certain items of overhead may be reduced, too much floor space is available, certain salesmen are unproductive, certain lines and price ranges should be dropped, too much is spent for advertising in some months, and not enough in other months. The retailer's judgment, or lack of it, in determining these proportionate interrelations accounts, in most instances, for his profit or his loss.

As to profit differences, retail stores may be grouped into three divisions: (1) super-profit group, (2) central-profit

group, and (3) sub-profit group. Regardless of the size of the store, these three groups are to be found, and again, they are to be accounted for in the varied, personal abilities that are tested in this balancing of the factors of retailing. Corroborative recognition of this principle is to be found in the fact that certain chains do not develop their units beyond a certain annual sales volume. If expansion is desired, they prefer to establish another store in the same vicinity.

There are, of course, outside factors, such as the business cycle, the number engaged in retailing, etc., which affect profits. These factors are analyzed in detail in the second division of this chapter. At this point, it is to be noted that the skill of the individual in meeting these broad economic problems is an important determinant of profits. In other words, it is the skill of risk taking. But there are times when the individual is not wholly responsible.

Economic Factors Affecting Profits

Certain general economic profits, no matter how efficient the personal management, cannot be wholly controlled by any one individual or concern. These are (1) the number of retailers engaged in the distribution of men's apparel, and (2) retailing and business cycles.

The Number of Retailers Engaged in the Distribution of Men's Apparel—Retailing, unlike many forms of occupational activity, has no standard whereby to test the fitness of those who enter its ranks to succeed therein. A clerk or salesman—any individual who wants to, may become a retailer. The capital requirement is small and often wholesale distributors will finance the individual. In law, dentistry, medicine, and other activities, some standards are established that act as selective deterrents of the unfit. Certain proposals have already been mentioned that have this object in view, particularly an examination to test their knowledge of merchandising.

Against the examination plan three objections may be advanced first, knowledge of the business does not necessarily insure success in merchandising, for many intangible characteristics and qualities are of even greater importance. One's personality may often outweigh and overcome many business weaknesses. Furthermore, the licensing method might easily tend to be affected by political considerations. Finally, dealers might, under this plan, have a semi-monopoly in their respective sections of the community, so that all possibility of passing on to the public the beneficial results of the operation of the plan, in the form of lower prices, might be curtailed unless prices and profits were curtailed by the government—a feature that is highly undesirable. It is therefore doubtful if any standard can be imposed upon retailing from without.

Proposals of this type suggest that the number of retailers is excessive. Certainly, from viewpoint of the individual retailer seeking a profit, this is the case. The Census of Distribution discloses the fact that 35% of the men's retail clothing and furnishings stores (independents) do only 3% of the total business of such stores. Obviously these stores, in many instances, are not making a profit, and they, no doubt, are quite sure that too many are engaged in retailing men's wear.

It is estimated that there are 40,399 retailers operating what might be termed typical clothing and furnishings stores.⁶ The number of families per dealer is 602.7, and the number of persons per store averages about 2,616.6. In addition to the initial estimate of 40,399 retailers, there are approximately 18,000 dealers not handling clothing exclusively, but selling such goods.

But the question is not so much a comparison of the number of stores with the number of people as it is with the number of stores and the amount of goods sold by each store. There

⁶ Report of Joint Commission of Agricultural Inquiry, Marketing and Distribution Part IV, p. 206.

are a great many retail clothiers and furnishers whose annual sales volume falls below \$30,000 per year. As a rule, these merchants are inefficient and their cost of operation is large. If they remain in business, it means that they soon reach a point where they cannot operate at a profit. To carry a wide enough stock to meet community demand, reflects itself in a smaller turnover, which of course means an increased cost of doing business. Unproductive capital is thus tied up and the community is not adequately served.

Many of these merchants are located in small towns and the introduction of chain distribution has not simplified the problem. For there is no reason to believe that the chain could do a much larger annual volume, so that the basic problem remains the same. The cost of operating a retail store depends upon the relation between investment and volume of sales. The number of retail clothiers and furnishers is thus a part of the problem of the small town store while shifts in retail trade geography resulting from changes in consumer buying habits have threatened the position of the small town retailer.

It is estimated that the smallest successful retail clothing store requires a town of 1,800 population, if it is to make a living profit. So we have the two aspects of the problem: (1) the number of families per dealer and the size of town required to support a store, (2) the number of retailers trying to make a profit.

In order that retailing may be made more profitable, the concentration of the retail business into fewer stores has been suggested. From the preceding analysis of expenses and profits with respect to size of store, little would be gained from this concentration in the way of expense reduction, and the consumer would probably pay higher prices. We are, therefore, led to the conclusion that, although the number of retailers is probably excessive, an artificial restriction of this number would do little to increase profits. The solution to the problem is to be found, rather, in improved management

and operation, leaving the selective force of competition free to weed out the incompetents. It is the characteristic of the competitive system that, through its operation, the person of superior business ability survives and makes a profit, while the person of inferior ability disappears.

Retailing and Business Cycles—The business cycle operates in the retail field just as truly as it does in the manufacturing field and in every field of economic activity. To the individual retailer, the business cycle is a matter of dull times and active times, or periods of trade. To the economist, the business cycle refers to the fluctuations around a normal trend as measured by some one of the generalized indices of trade.

For the purpose of analysis, the cyclical oscillations of business may be separated into four main phases or stages. Each stage represents a distinct evolution into the succeeding stage. Prosperity sets in operation forces which develop into crisis, crisis develops into depression, depression into recovery, and recovery into prosperity.

The different stages run their ceaseless round, although the change in the total volume of retail trade of the nation may differ but little throughout the cycles. But, although the total volume of retail trade may not change, profits are affected through all the stages. Prosperity exists when the prospect of profits is good. Crisis comes when the prospect of profits collapses. Depression exists as long as the prospect of profits remains low. Recovery comes when the prospect of profits revives. The many forces which affect the stages of the business cycle bring their influence to bear by altering in some way the prospect of profits.

The question may be raised as to whether statistical analysis with reference to the business cycle can be applied to retail store sales figures. In analyzing sales figures, it is generally

the practice to compare the current month's figures with those of the preceding month and with those of the same month of the previous year. Such a comparison does not disclose the characteristics of the individual elements, which are the components of the original series.

In an analysis of time series of business data, there are four elements to be considered. As applied to retail sales figures, these elements express themselves as follows: (1) secular trend, or the more or less regular increase or decrease of sales over a long period of time, (2) the seasonal element which represents the more or less regular increase or decrease in sales occurring in the same months of each year. In the retail clothing business, peak seasonal sales occur in such months as November and December, and April and May. February and August are characteristically dull months. (3) Cyclical changes caused by changes in general business conditions. These changes must be corrected for seasonal variations and secular movements. (4) Residual fluctuations are those caused by unusual, unexpected, or accidental influences. Thus, the sales of a store might be greatly influenced by a severe storm, epidemic, or war.

In making a cyclical analysis of sales, the desirable procedure would be to make the necessary statistical corrections, and then compare these retail sales figures with those of other business series, in order to find, if possible, some series which might be used to forecast the sales of the store. For example, store sales might be compared with bank debits or city building permits.

There is some difficulty in making a cyclical analysis of store sales, particularly in the elimination of the effects of seasonal variation, because of the non-calculable effect of changes in the weather and of shifts in the schedule of special sales events. Even if these difficulties be overcome, the style factor in certain items of men's apparel makes practical forecasting impossible. Thus, from the viewpoint of the indi-

vidual store, a sound system of planning sales, stocks, and purchases would do much to eliminate the unfavorable features of the business cycle in that particular store. This does not mean that retailing is unaffected by the business cycle, but it does mean that many stores intensify their problem considerably by not operating on a satisfactory budget and control system.

The more general relation of retailing to the business cycle is to be found in an analysis of the volume of consumption. The available data on retail trade indicate that the common notion of a consumer's strike is misleading. In the depression of 1920-21, retail sales were well sustained, until the latter half of 1920. This was after wholesale prices had broken and after physical production in leading lines had begun its downward course. The consumers' strike followed, but did not initiate, the downfall of prosperity.

In the sense that it refers to a definite stoppage of retail buying, the implication of the term, *consumers' strike*, is contrary to fact. More accurately, what happens is that production proceeds more rapidly during a period of activity than physical volume of consumption. Not that consumption fails to increase—it does increase, but not so rapidly as production. The maladjustment is a matter of two unequal rates of increase, the swift increase of manufacture and the slow increase of consumption.

This lack of coordination between production and consumption is as yet unsolved, although many explanations are offered. As stated by some observers, it is due to the lag of wage increases behind price increases, with the consequent lag of purchasing power which the wage represents. Others attribute the lag of consumption to the failure of corporations to disburse profits as rapidly as they are earned. Finally, this lack of coordination is held by many to be the result of over-production due to the super-efficiency of machine methods, of over-saving due to excessive capital accumulation during

prosperity, and of under consumption due to an unjust distribution of income

In addition to the lag of consumption behind production, there is a marked difference in the amplitude of fluctuations of trade and manufacture. A feature of retail trade is its stability. The amplitude of fluctuation in physical volume of consumption is much less than that in physical volume of manufacturers. Because of this difference there appear alternate periods of excess and deficit in the stocks of goods on hand. At times of activity, inventories accumulate in the hands of dealers. When manufacture over-floods with new production an already well-stocked market, the inevitable result is costly and wasteful liquidation. Stock control is therefore essential to a better adjustment between the fluctuations of consumption and manufacture.

Additional evidence of this variation in amplitude of fluctuation is the fact that maximum cyclical decline in the number of employees in retail establishments in 1920-21 was under 3%, as compared with 14% for all industries, and 26% for factories.

Changes in customer buying habits are also to be noted with reference to the business cycle. During periods of depression, consumers turn to mail order houses, chain stores, and other stores carrying lower-priced merchandise. In prosperity, the high-grade specialty stores secure additional business, consumer purchases are larger and are given over to an interest in fashion. Tailors secure additional business during the so-called prosperity phase. House-to-house selling, on the other hand, is more prominent during and following depression.

Despite the fact that the business cycle is a thing apart from individual store management, the retailer may do much toward minimizing the evils of the business cycle through the use of a budget and control system. He may further use such precautions as care in granting credit during apparent "good times," and by cutting down on advertising expenditures dur-

ing times when sales are high. Advertising pressure is generally applied with best results during the up swing rather than in the peak of the cycle. Careful purchasing, as a means of eliminating difficulties due to the business cycle, cannot be emphasized too strongly. It is also unwise to anticipate very large expensive movements during the prosperity phase. Finally, the retailer should keep informed on economic statistics not only with reference to his own business but as to economic activity in general.

Statistics have come into their own. Find a progressive retailer and you have found a retailer who is anxious to secure statistics pertaining to his business. Retail statistics therefore enter our discussion at this time.

Retail Statistics—Throughout the entire discussion of the merchandising of men's apparel the need for retail statistics has been apparent, and it is unfortunate that these statistics have been so difficult to get. Non-uniformity in records and lack of willingness on the part of the individual retailer have contributed to this unsatisfactory state of retail facts and figures. On his side, the retailer has been annoyed by unimportant surveys, and has been asked for information by so many different investigators that he is justified, to a certain degree, in refusing to give it. Reasons like these are strong arguments for cooperation in research, and for the coordination of research activities in the men's apparel field.

In the retail clothing trade there are several sources of statistics. The National Association of Retail Clothiers and Furnishers make intermittent attempts to operate a research division, and additional facts regarding the trade are published in the *National Retail Clothier*. The Fairchild publications have been unusually active in the collection and dissemination of figures on the retail clothing trade. Many of the large wholesale distributors collect business data and make it available for the retailers. Related associations, such as the

Wool Institute and the Associated Knit Underwear Manufacturers of America, are also collecting and disseminating valuable data. The work of the Clothing Manufacturers Research Board should not be omitted.

Outside the trade, the sources of business information are numerous. The census of distribution undertaken by the United States Chamber of Commerce and the United States Department of Commerce will no doubt prove one of the most valuable groups of information ever collected on the topic of distribution. The United States Department of Commerce is continually making surveys of interest to the retail clothing store. Conspicuous among these surveys are "Retail Store Problems" (Domestic Commerce Series No. 9), and the regional surveys, typified by "Retailer and Consumer in New England" (Trade Information Bulletin No. 575).

Departments of business research of the various universities are contributing intelligent information on the problems of retailing. The eminently practical studies of the Harvard Business School, Northwestern University, and the University of Ohio deserve the highest credit. Excellent work is also being accomplished by such schools as the University of Michigan, University of Colorado, University of Nebraska, University of Kansas, and the University of Illinois. Other valuable work is being accomplished by New York University, Carnegie Institute, and Columbia University, through their courses in merchandising and their research bureaus. In addition to these, the research bureaus of the University of Texas and the University of Wisconsin should be mentioned.

Newspapers and magazines are giving more attention to merchandising problems. A real service is available in the pages of such papers as the *New York Times*, *New York Journal of Commerce*, and the *Commercial and Financial Chronicle*. The *Retail Ledger*, *System Magazine*, and *Printers' Ink* also offer excellent information of use to the retailer.

Chambers of commerce, when they accurately produce the

information, are in a position to supply many facts of value to the retail trade. The United States Chamber of Commerce through its publication, *The Nation's Business*, presents many discussions relating to the problem of retailing.

Among miscellaneous sources should be included radio broadcasting, the research work of advertising agencies, and the work of the Statistical Department of the International Advertising Association. The work of the Federal Reserve Banks in their collection of retail statistics has been most effective, especially in pointing the way to the need for information of this type, and in standardizing, to a certain degree, retail trade statistics.

In using retail statistics, the retail clothier is urged to exercise care as to the source of material and as to the method of its compilation. It is also to be remembered that statistics are not a substitute for business judgment, at best, they are only a guide in the formation of business policy. In final comment, in connection with the subject of profits, it is peculiarly significant that only the more successful stores have shown any interest in retail statistics.

Summary—Three general methods are available to the retailer who wants to increase his net profits under modern competitive conditions. (1) he can reduce his operating expenses, (2) he can increase his markup, (3) he can hold these two factors to the best level he can reach and increase his sales volume sufficiently to build up a satisfactory net profit figure from small profit increments.

Proceeding on the assumption that the third method is more widely used, it has been shown that a fairly rapid turnover is first necessary. Turnover may be increased by sales promotional activities. At the same time, expenses must be kept at a low level and, where possible, stocks reduced.

A reduction of expenses of retailing must rest on a definite knowledge of these expenses. Unfortunately, few retailers

possess this knowledge. An estimation and classification of expenses will immediately prove helpful, especially when compared with figures for stores of a similar size and type. Once expenses are determined and desired profit ascertained, the markup may be set to cover these factors.

Thus the attainment of better profits depends chiefly on the managerial judgment of the individual retailer. The effective expression of this skill in judgment may be shown in terms of his ability to balance investment, sales, and expenses in such a manner as to secure the highest return. In this connection, profits are a problem in proportioning the various elements of retailing.

The number of retailers engaged in the distribution of clothing and the business cycle also affects retail profits. Although the control of these factors is beyond the reach of the individual merchant, he can outdistance his numerous competitors through the medium of scientific merchandising and can minimize some of the evils of the business cycle by adjusting his business policy to the various economic fluctuations. Successful retailers find it worth while to avail themselves of business statistics, which serve as a guide to better informed judgment.

Retail Distribution—Conclusion

This chapter concludes our discussion of the retail distribution of men's apparel. However, the retailer is not an agency apart from the general distributive process nor can his problems be completely separated from those of the entire industry.

Part III takes up the problems of wholesale distribution. Retailers who would get a clear picture of the marketing problems connected with men's wear will consult this section. Moreover, some of the present-day trends in merchandising are best visualized through an analysis both of wholesale distribution and production. No picture of men's wear merchandising is complete without its accompanying analysis.

PART III

WHOLESALE DISTRIBUTION

CHAPTER 15

MERCHANDISING PROBLEMS OF MANUFACTURER AND WHOLESALER

In the chapters preceding, we have centered our observation upon that part of the intricate system of distribution of men's wear that may be characterized as the consumer's market. In supplying that particular market, the retailer's role is both comprehensive and universal, and at the same time comes closely home to the individual. For his peculiar function is to serve his community. Yet, he is only a part of the great distributive organization, and our conception of the merchandising of men's wear is not complete until we have analyzed the activities incident to wholesale distribution. These activities comprise the merchandising problems of the manufacturer and of the middlemen who intervene between manufacturer and retailer. These agencies are the wholesale distributors. Retailers, wholesalers, middlemen—it requires the services of the entire distributive organization that they represent to perform the functions of marketing and to satisfy effectively consumer demand.

The inter-dependence of these marketing agencies necessitates a knowledge of the work of all market forces. The problems of the retailer are important to the wholesale distributor, and for his part, the retailer needs a keen appreciation of the problems of wholesale distribution. Indeed, it may be said with a good deal of truth, that the merchandising of men's wear is the common problem of an entire industry, in which, at the same time each individual distributor has certain problems peculiar to his own sphere of activity. The merchandising problems of the manufacturer and wholesaler include channels

of distribution, bases of sales, kinds of sales, price problems, selling problems, and market integration

This chapter discusses (1) channels of distribution, (2) sales practice, and (3) price problems and policies

Channels of Distribution

The term "channel of distribution" refers to the route over which goods are distributed in traveling from the source of production to the consumer. Some items of men's apparel, for example, are sold by manufacturers, first to wholesalers, then by wholesalers to retailers, and by retailers to consumers. This is sometimes called indirect selling. Other items are sold by manufacturers direct to retailers without the aid of intervening middlemen. This is direct selling. In other instances, a manufacturer's product is taken over by a selling agent who may distribute direct to retailers, or to wholesalers who sell to retailers. What are these problems incident to getting goods to retailers, these problems of wholesale distribution?

In presenting our analysis of the various situations, we shall first determine the prevailing channel of distribution in each one, and then discuss the factors that account for its use.

There is no single, orthodox method of distribution. Frequently manufacturers utilize a combination of trade channels. For example, in large cities, manufacturers of clothing and furnishings may find it desirable to own, or at least control in part, their retail outlets. In smaller cities, they may find it best to use available, regular retail channels or to work through wholesalers who cater to retailers in a particular vicinity. Manufacturers may sell direct to large department stores and chain stores, and distribute indirectly to retailers who purchase in smaller quantities. In such lines as hosiery, sports wear, sweaters, neckwear, and underwear, the selling agent is important. He is also used in the distribution of imported goods. In the earlier days of a concern's history, indirect marketing may be used, to give way later to direct marketing.

Selection of a channel depends upon such factors as nature of the commodity, width of market sought, unit of sale, length of selling season, customary procedure, development of demand, and the competitive position of the individual concern.

The Direct Market—Fundamentally, most of the items of men's wear lend themselves to direct selling. The history of its distribution shows that it has shifted from the indirect selling of its early beginnings to the direct selling of the present. In part, of course, this shift is a by-product of the economic development of the whole country, but it was inevitable in men's wear.

So, direct selling became the dominant method of distributing men's apparel. In clothing and hats, it is used almost exclusively, and in items of furnishings it is occupying an increasingly important place. The practice of direct selling raises the related problem, the exclusive agency. In other words, direct selling has made for selective selling. The dominance of direct selling is somewhat obscured, because of the fact that many former wholesalers of men's wear have become manufacturers, and are distributing their product direct to retailers. This is true of some prominent concerns in the men's clothing trade, which have been looked upon as the classic examples of wholesalers and jobbers. This movement toward direct selling has tended to integrate the market, and today manufacturer control of retail outlets is not uncommon.

The Nature of the Commodity—Why is it that direct selling occupies so dominant a position? Perhaps the basic reason is the nature of the product. Most items of men's wear are of such a seasonal nature, and possess such style elements, as to lend themselves to this form of selling. Coupled with this is the localization of the men's apparel industry, which makes it easy for retail buyers to go to market and purchase a large portion of their orders direct. Further, the style risk is so great in some lines that wholesalers can not afford to carry a

large supply. It is held in some quarters that controlled buying may reinstate the importance of the wholesaler. This will not happen in men's wear. This buying will continue to be done by resident buyers, by cooperative buying associations, and by retail buyers who go to market.

In selecting a channel of distribution, it is useful to determine whether the article sold will be ordinarily purchased by consumer without shopping, at points of immediate convenience, or in central trading districts, with insistence on an individual brand, or with mere brand preference, or with indifference to a brand. Commodity classification aids in the determination of the kind of a store through which the market for a specific product should be sought, the density of distribution required, the methods of wholesale distribution to be preferred, the relations to be established with dealers, and, in general, the sales burden which the advertising must carry. All these matters tie up with consumer buying habits, and with the classification of commodities into convenience goods, shopping goods, and specialty goods, that was given in Chapter 2.

One would normally expect such items as work clothing, where the style element is lacking, to be distributed through wholesalers. But, instead of a large system of sectional wholesale houses distributing these products, we have a large system of sectional manufacturing plants supplying directly the needs of retailers of a particular district. There still remain, however, a considerable number of products which wholesalers do distribute.

Historical Developments—A more personal factor that made for direct selling is to be found in the historical development of clothing production and distribution. The initial task of the men's ready-to-wear producer was to overcome the competition of tailors. The manufacturer had to go out and tell the consumer of the advantages of ready-to-wear. And it meant more than just getting distribution; it was a part of the

much greater problem of a shift from a decentralized method of production by individual tailors to large-scale production by manufacturers. Progressive producers almost at the outset, preferred to sell direct to retailers, and not to go to the expense and trouble of educating the consumer. What was true in clothing and overcoats was true to a lesser degree in furnishings. For example, custom shirt makers were at one time important factors in the production and distribution of shirts. Their competition, too, had to be overcome through an education of elimination. The problem of distribution has proved to be, in part, an extension of the production problem.

At the same time that men's apparel production was attaining the large-scale stage, manufacturers in other lines were experiencing difficulties with indirect distribution. Wholesalers distributing for these producers were beginning to find it advantageous to market a product identified by a brand name of their own. Thus, certain producing manufacturers found their sales retarded, and so they were forced to seek a more active market. This sort of experience naturally stimulated men's wear producers to market direct wherever possible.

Now as has been stated, men's apparel lends itself to direct selling, for two special reasons. (1) the unit of sale in this line is fairly large, and (2) the selling period is seasonal—both factors that facilitate direct selling. A third contributing factor is, that the men's apparel trade is not encumbered by a large number of small items of low sale value. Where small items of furnishings constitute a good part of the stock, there the wholesaler is more widely used.

Competitive Conditions—Within the concern itself, certain forces dictate the use of direct or indirect selling. If the producing concern is financially strong, occupies a strong competitive position, and has a good selling organization, direct selling is used. Under reverse conditions, indirect selling is resorted to, either as a temporary expedient or a permanent

policy Under the favorable conditions, the manufacturer who desires a wide market will more often establish a branch sales office and warehouse instead of using an outside middleman

Again, the fact that a manufacturer's product can be identified by trade name, trade-mark, or trade brand, points to the use of direct selling Elements of style and workmanship afford ample opportunity for producers of men's apparel so to identify their product

The use of indirect selling is found where (1) the demand is undeveloped, (2) the items are small and not of a seasonal nature, (3) the producer is unable to organize and finance a direct marketing program, (4) items are imported, and (5) rapid style changes are not so prevalent Evidently a wide range of activity is available for the wholesaler

The Wholesaler in Men's Wear Distribution—A definition of terms will clarify our discussion Both of the terms, *wholesaler* and *jobber*, refer to those middlemen who buy from the manufacturer and sell to the distributor In this study, the term, *wholesaler*, will be mostly used A selling agent is an intermediary between producer and retailer although his relations with manufacturers are not always marked by the outright sale Not infrequently, he sells to wholesalers The manufacturer's agent occupies a similar position It is, perhaps, best to describe selling agents and manufacturers' agents as brokers The term, wholesale distributor, refers to any distributor selling at wholesale

Students of marketing have prophesied the business death of the wholesaler for a quarter of a century, yet he still persists and does a surprisingly large amount of business An evaluation of his importance in men's wear distribution is best accomplished by outlining his services and, where possible, giving a quantitative estimate of his importance Such an estimate is not easy to make There are a number of dry goods

wholesalers distributing small items of men's furnishings, but their sales in these items are difficult to determine

The Services of the Wholesaler—The initial function of the wholesaler is the function of assembly. In exercising this function he acts as purchasing agent for the retailer and distributor for the manufacturer. The services of the wholesaler are, therefore, discussed under (1) the wholesaler and the retailer, and (2) the wholesaler and the manufacturer.

1 THE WHOLESALER AND THE RETAILER The wholesaler, by buying in large quantities from the manufacturer, is able to assure the retailer of prompt delivery of small assortments. This service aids in increasing the retailer's turnover, since, through the wholesaler, he can procure quantities to suit his needs and, by buying in smaller amounts, he is able to maintain his assortment on a comparatively small capital investment. The wholesaler furnishes financial assistance to the retailer through extension of credit. It is doubtful if the manufacturer would always give the retailer as favorable credit terms. Regional wholesalers, being more familiar with local economic conditions, are often willing to carry accounts for some little time. Wholesalers are also more willing to aid the retailer in times of financial distress. Finally, since the wholesale organization is in touch with a wider range of merchandising problems, it is in a position to offer expert assistance in the development of accounting and control systems, and of selling plans, as well as in the solution of other merchandising problems.

Many of these services are nothing more nor less than the services of any distributor selling to a retailer. The point of emphasis is that the wholesaler is probably more willing, and better able, to cater to the requirements of the small retailer, than is the manufacturer.

Retailers in towns centering around 10,000 population were interviewed as to what services they received from the whole-

saler¹ Quoting from this survey, retailers in these cities favored the use of wholesalers, because of convenience, wider selection of stock, saving on transportation, better prices, less capital tied up, quicker turnover, and less advance buying. Other advantages mentioned were mail order service, frequent calls of salesmen, and the fact that novelties in the men's wear trade could best be purchased through the wholesaler.

This same survey disclosed certain disadvantages in buying from the wholesaler. These hinge on the product and certain policies of the wholesaler. For example, many retailers report that the quality was poor, sizes not uniform, garments lacked style, the wholesaler did not carry nationally advertised lines and in many cases the selection was limited. As to policies, these retailers commented unfavorably on the tendency of the wholesaler to substitute, his failure to make adjustment, improper packing of goods, and frequent delay of mail orders.

In estimating a survey of this type, it is unfortunate that one can not place a qualitative check on the replies. For example, discontent arising from unsatisfactory credit relations may lead to "knocking."

Another check which should be placed against the survey is that the term "wholesaler" has a different connotation to various retailers. Some retailers, for instance, do not distinguish between purchasing goods from a manufacturer and purchasing from a wholesaler, as they are both wholesale distributors. It is thus probable that this survey may be misleading because of the lack of definiteness in the use of the term, wholesaler.

2 THE WHOLESALER AND THE MANUFACTURER The services offered by the wholesaler to the manufacturer are valuable services. In the first place, the wholesaler is a specialist in distribution, and he is in a better position to interpret the market. The wholesaler establishes direct contact with the retailer, he cultivates the field intensively, a fact of no small

¹ This investigation was conducted by the Research Division of the National Association of Retail Clothiers and Furnishers in 1927.

significance when we consider that there are over 130,000 towns of less than 25,000 population.

Other advantages afforded are savings effected in transportation, performance of the storage function for the manufacturer, rendering of financial assistance, and simplification of the manufacturer's accounting problem by reducing the number of accounts and also the cost of granting credit. Finally, the wholesaler aids in stabilization of production, because most production precedes demand rather than follows it, and the wholesaler is there to take the product and redistribute it to the retailer.

Wholesaler Important in Distribution of Furnishings —

There are certain definite lines in which the wholesaler plays a more important part than the manufacturer. It has already been observed that, in wholesaling, direct selling predominates, and that the services of the wholesaler are largely confined to the distribution of men's wear other than suits, overcoats, and hats. His activity is, therefore, greater in the distribution of furnishings, such as shirts and collars, knitwear and hosiery.

I SHIRTS AND COLLARS The trade channels utilized by manufacturers of shirts and collars are as follows: selling direct to the retail trade, selling to jobbers, and selling to mail order houses. A few sell to the consumer direct-by-mail and there are also a few who own retail stores as an outlet for their product.

Practically all collars, and the major part of the higher grade shirts, are sold to retailers, only work shirts and other low-priced lines are distributed, to any considerable degree, through the jobber.

In a survey made by the United States Department of Commerce,² 42 establishments were investigated with respect to their selling methods. Of the total sales of the 42 establish-

² "The Shirt and Collar Industry" U. S. Dept. of Commerce Miscellaneous Series No. 36, 1916.

ments reporting, 58.87% was sold to retailers, 38.76% was sold to wholesalers, 0.68% by mail order, 1.69% was exported.

Seventeen of these concerns sold their entire production to retailers, five sold 99%, seven sold from 74% to 98.5%, and six sold from 1% to 30% of the entire production to the retail trade. Four concerns sold their entire production to wholesalers, while eleven others distributed a part of their production in this way. Only one firm sold by mail order, 33% of its total production being sold in this fashion. Seventeen establishments reported a certain amount of export business, ranging from 1% to 15% of net sales. This study, although made in 1916, further indicated that, in "low-end" shirts, the position of the wholesaler is important, but that, in higher grade shirts, and almost exclusively in collars, he plays an inconspicuous role.

Similar studies have been made of the distributive channels for knitwear and hosiery.³ The results of these studies must be interpreted with care, as they include knitwear and hosiery for men, women, and children, and were made over ten years ago. Dry goods wholesalers are of more importance than men's wear wholesalers, and in this latter field (men's apparel), the past ten years have seen a marked tendency toward direct marketing.

2. **KNIT UNDERWEAR** Sixty-three concerns were investigated. Of the total net sales of these concerns, 55.45% was made to wholesalers, 23.07% was made to retailers, 15.17% was made to commission agents, 6.27% was made to commission houses, 0.04% was exported.

3. **HOSIERY** In the hosiery trade, as in other forms of knitwear, the wholesaler is still an active factor, although manufacturers are getting away from this method of distribution. This is particularly true in the West. In the East and the

³ Refers to United States Department of Commerce Studies of Knit Underwear and Hosiery. The results of these studies are given in E. L. Rhoades, *Introductory Readings in Marketing*, Ch. LIX.

South, producers of hosiery still depend mainly on the wholesaler or the commission house, as a means of distribution.

The branding of hosiery has resulted in considerable change in selling methods. Large manufacturers are giving up selling through wholesalers and devoting their efforts to selling exclusively to the retail trade. This gives them two advantages: the opportunity to advertise their own trade-mark, and to manufacture according to a certain standard, and these two lead to a third, the definite identification of the interests of the manufacturer with those of the consumer.

Regardless of the line, the change from selling to wholesalers to selling to retailers is an expensive process. To secure the trade of retailers so as to be able to sell to them direct requires heavy advertising and selling expenses, which only the largest and strongest manufacturers can afford. Even after a trade with retailers is established, the cost of selling to them direct is much greater than the cost of selling to wholesalers, or through commission houses or agents. In selling to retailers, more accounts are carried, a larger credit force is necessary, longer credits must be given, and there is greater liability to losses owing to failures of customers.

With some manufacturers who sell to retailers, the cost of advertising is a considerable proportion of their total selling expense. Of the 63 knit underwear establishments reporting, 11 advertise nationally, that is, advertise in magazines and papers other than trade journals, which have a national circulation.

Of these eleven manufacturers, three sold 100% of their production to wholesalers, five sold 100% to retailers, one sold 95% to wholesalers and 5% to retailers, one sold 5% to wholesalers, 94% to retailers, and exported 1%, while one sold 100% through commission agents.

In selling to wholesalers, the manufacturer has the advantage of knowing at the beginning of the year just about how much business he will do, as he secures his orders in advance.

He is, thus, able to plan out his season's work to a better advantage.

To the small manufacturer with limited capital, the wholesaler is almost a necessity. On the other hand, the requirements of retailers often force manufacturers to produce a large and assorted stock of finished goods, so that their capital requirement becomes greater than is necessary when they deal with wholesalers.

The chief inducement for producers to sell direct to retailers is that they can obtain better prices from retailers than from wholesalers. Wholesalers have, in a sense, been traders, placing their orders where the best terms could be secured, and traders can never be relied upon to be steady customers.⁴

Many Wholesalers Have Turned to Manufacturing—Many wholesalers, while still operating under the business name of wholesaler, are also engaged in manufacturing, and they sell their product direct to retailers. In only a few cases do they sell to other wholesalers. This statement is based on a survey by the author of the business history of 44 concerns generally considered wholesalers. The concerns interviewed represented the men's furnishings trade, rather than clothing or hats.

Many of these concerns started out as manufacturers of a very few items, added the distribution at wholesale of other items, and were known to the trade as wholesalers. In more recent years, some of these concerns have gone back to manufacturing exclusively. Other concerns interviewed started out as retailers, later went into wholesaling, and then to manufacturing. The remainder of the establishments began and continued business as wholesalers.

Of these 44 establishments, there are today only three that are exclusively wholesalers, 24 are now engaged entirely

⁴M. T. Copeland, of the Harvard Graduate School of Business Administration, in an address before the American Economics Association, January 1928, stated that, if the wholesaler is to continue in operation he must become more a distributor and less a trader. (*American Economic Review*, March 1928, p. 19, supplement.)

in manufacturing, 11 are manufacturers and wholesalers, and the remainder are manufacturers agents and importers.

Of the 11 classified as manufacturers and wholesalers, 70% of their total business is based upon the manufactured items, and 30% on the items distributed for other manufacturers.

Most of these former wholesalers have turned to manufacturing because of competitive conditions opportunities for greater profit, ease of selling goods of their own manufacture, in some cases, they turned to the manufacture of certain items which had been discontinued by producers for whom they themselves were distributing.

Wholesalers of men's apparel are finding it advisable to (1) develop their own brand, (2) establish control of their outlets, (3) act as resident buyers for a group of retail stores, and (4) organize and supply cooperative retail buying associations.

In summarizing this part of this discussion, it is noted that (1) owing to the nature of the commodity, direct selling predominates in men's apparel distribution, (2) although the wholesaler performs useful services for both manufacturer and retailer, his activities are confined largely to the distribution of men's furnishings, and (3) many concerns, formerly in wholesaling, have gone into manufacturing. These generalizations point to the dominance of direct selling.

Most of the wholesalers still operating in men's apparel trade are adjusting their plans to meet the present-day competitive demands.

Having ascertained and accounted for the dominating method of distribution, we now turn to a brief discussion of sales practices in the wholesale distribution of men's apparel.

Sales Practice

Bases of Sales—1 **SALE BY SAMPLE** Most of the items of men's wear sold through salesmen to retail stores are pur-

chased from samples. Selling by sample involves an inspection of a small amount of the product, supposed to be representative of the total quantity offered for sale. In the case of clothing for spring trade, travelers go out in September, October, and November, taking with them cloth samples which were received by the cutters in June, July, and August, together with designs worked up in sample suits, in the late summer months. Formerly salesmen carried large lines of samples, sometimes 500 to 1,000 suits. With the increased demand of retailers for many variations, the plan has become general for a salesman to take only a few suits, possibly 20, and to supplement these by small fabric samples made by cutting up the cloth swatches given to the cutter by the cloth makers. Hats and furnishings are also sold by sample.

2 **SALE BY DESCRIPTION** Sale by description implies the use of specification or written words suggestive of the grades and standards to be sold. The description may be given by the vendor through personal salesmanship or through advertising and catalogs. In the clothing and furnishings trade, sale by description is generally supplementary to sale by sample. Catalogs are generally issued to take care of re-orders or of special orders. To be sure, there are some concerns who do business entirely on a catalog basis, but even these concerns employ contact men to call on the trade.

3 **SALE BY INSPECTION** Job lot purchases, quantity sales of "distress merchandise," and "sale merchandise" are frequently purchased by inspection. That is, the buyer goes to market, examines a quantity of goods, and agrees, as a rule, to take the lot. Buying of this type is more often on a trading or price basis.

Kinds of Sales—Outright sales, consignment sales, and joint account sales are all used in the men's apparel trade, but the outright sale is the most common. This sale is effected by means of private negotiation between buyer and seller, and title

passes from vendor to buyer without any qualifications. To a very limited extent, sales on consignment are made. Consignment sales involve risks that must be borne by the vendor. False reports may be made by the consignee, or he may fail to exercise good judgment and business ability in disposing of the goods.

Price Problems and Policies

The wholesale distributor's price policies are a complex of (1) the factors imposed by the assumption of risk and (2) the necessity of financing the retailer.

The manufacturer of men's apparel assumes certain risks incident to the distribution of his product. Aside from the risks of physical destruction, theft, and personal contingency, the wholesaler must bear the risk involved in credit extension, style changes, changes in demand, and other risks arising out of market conditions.

Few retailers are able to pay cash for their product, because of the seasonal nature of their sales, and also because of economic conditions surrounding their business. Some sort of financing, then, must be undertaken by the wholesale distributor to help out the retailer.

The retailer, for his part, is granting credit to his customers, and his ability to pay depends, in part, on the condition of his accounts receivable.

It was partly because of the necessity to finance retailers that many manufacturers, in the earlier stages of their development, turned over their distribution to wholesalers and selling agents.

Terms of Sale—The terms of sale that are used in the men's apparel trade are suggestive of the nature of market finance. These terms commonly comprise two distinct elements: (1) the length of the credit or net period, and (2) the discount which is usually coupled with it.

Wholesale distributors of men's wear adjust their credit

periods to different lines of business, but great differences are sometimes observed in the same line and even within the individual establishment. In general the length of the credit period tends to conform roughly to the retail buyers' receipt of income from the sale of goods. The rate of turnover is one of the most important conditioning factors in the situation. Other factors that must be considered in determining the net period are length of the credit period secured from the preceding sellers, competitive conditions, character of the commodity, nature of the credit risk, type of ultimate consumer, sectional differences with regard to evenness in receipt of incomes, and the business cycle.

The Cash Discount—Cash discounts are, in a sense, interest payments made to buyers for payment before the date due. They are premiums for prompt payment, and the rate is considerably higher than the prevailing rate of interest. Cash discount is to be distinguished from quantity discount, which is a discount that is granted from a base price for purchases in quantity larger than the quantity for which the base price is quoted. The logical basis for quantity discounts is to apply all the discounts to individual orders and to make them commensurate with the savings that are effected in handling and shipping the respective quantities of merchandise. Trade discounts are used when a manufacturer stipulates the retail price at which he expects his product to be sold, even though he cannot legally compel retailers to observe that stipulation. Thus, if a manufacturer sells directly to retailers, and has decided that 30% of the selling price is a fair gross margin for retailers on such goods, prices on the merchandise are quoted retailers at the list price less 30%. This has been the case in the sale of rubber boots and overshoes.

Cash and Credit Sales—A discussion of terms and discounts leads to a statement of the cash and credit distribution of sales of wholesale distributors. In the survey by the author,

it was found that less than 10% of sales of wholesale distributors are cash sales. By lines, the average percentages of cash sales were as follows: (1) clothing, 6%, (2) furnishings, 4%, (3) hats, 10%. The majority of the wholesale distributors report that over half of their accounts pay within the credit limit period. It was the consensus of opinion that the larger number of credit difficulties come from the small account.

Commercial credit has a long history, but the modern credit department, with its systems of credit ratings, report forms, net worth statements, ratio analyses, and various methods of making collections has been developed as a consequence of large-scale production with its correlative need of reaching a large market.

Among wholesale distributors of men's apparel, the length of credit terms has shown a tendency to shorten. At the same time, credit risks are being more carefully analyzed.

One special means of granting long terms of credit is what is known as postdating. In a seasonal trade, such as men's wear, postdatings are peculiarly applicable. Under this plan, orders are received months in advance of the opening of the retail selling season, but the invoices of the goods are dated as of the beginning of the ensuing season. The procedure assists in regularizing production and also reflects the interrelations and interactions of financial, merchandising, and production policies.

Resale Price Maintenance—A final aspect of the price problem is that of resale price maintenance. Resale price maintenance has been previously defined as that system of distribution under which the manufacturer of trade-marked or otherwise identified goods names the prices at which his products shall be sold and distributed by wholesalers and retailers, thus controlling the margins realized by distributors and the prices paid by consumers.

During the past half-century manufacturers of branded

and trade marked goods have attempted to maintain a resale price, in order to overcome some of the evils of price-cutting and to promote profitable marketing. The advocates of resale price maintenance argue that it eliminates certain elements of risk, inspires confidence, promotes fair prices and, in general, improves the competitive situation.

From the legal point of view, however, decisions in test cases have been to the effect that goods sold outright by the manufacturer can not be controlled by him as to price. The Supreme Court has consistently taken this attitude. As a further prohibitive aspect, it is not possible for manufacturers to exert any organized effort to determine whether or not retailers are cutting a suggested resale price.

Manufacturers of men's clothing and furnishings can avoid troublesome price-cutting among retailers by avoiding the sale of articles to price-cutting establishments. If they continue to sell to price-cutting retailers, other accounts will withdraw their patronage. However, in certain items of men's apparel, necessary markdowns must be taken and seasonal sales are frequently resorted to.

Various attempts have been made to bring within the law resale price maintenance. Perhaps the best argument against doing so is the fact that retail costs are not uniform. The individual retailers vary widely in ability, and it does not seem right, thus, to hamper the retailer of exceptional ability who is able to operate on lower costs. Another element in the situation is the fact that many retailers do not offer the various service features which go to make up a considerable part of other retailers' expenses of operation. It would be more to the point to legislate against unfair price-cutting, for it is this predatory price-cutting against which manufacturers need protection. So long as variations in resale prices correspond solely to differences in operating expenses, the producer of an article on which prices are cut has little ground for complaint. It surely is right that a merchant should be permitted to price the

goods he buys at whatever figure is adequate to cover his operating expenses and yield a necessary net profit

Summary—The wholesale distribution of men's wear is characterized by direct rather than indirect marketing. In fact, the history of men's apparel distribution has been marked by a shift from indirect to direct methods.

Of the various factors making for direct selling, the most important are the nature of the product and the ability of the manufacturer to reach a wide market.

The number of wholesalers in the men's apparel trade is diminishing and many of these have turned from wholesaling to manufacturing. Influenced partly because of this uncertainty in their position, the wholesalers still remaining in that field are endeavoring to strengthen their competitive position through the organization of cooperative retail buying associations, establishment of their own retail outlets, and similar devices.

The outright sale predominates, consignment sales and joint account sales are used, but to a very limited degree.

Like the retailer, the wholesale distributor strives to secure a price sufficient to cover his costs and realize a profit. The wholesale prices, as reflected in the terms of sale, vary with the time of payment, quantity purchased, and importance of the account. Most retailers do not pay cash, so that credit must be granted. Although some wholesale distributors compete with each other on terms, the credit period has tended to become shorter.

Many producers of men's wear are anxious to name the price at which their product is to be sold to the consumer. This is supposed to have a stabilizing effect and minimize the evils of price-cutting. Manufacturers have a just complaint against unfair price-cutting, and it is a problem whether legalized resale price maintenance could effectively eliminate this practice.

CHAPTER 16

SELLING PROBLEMS OF MANUFACTURER AND WHOLESALE

The selling problems of the wholesale distributor differ from those of the retailer, in that the wholesale distributor must not only consider consumer demand, but the problem of satisfying that demand through retailers. A part of his sales effort is, therefore, directed to consumers and a part to retailers. His ability to influence consumer demand will show itself in the ease with which his distribution is secured through retailers. Therefore, all that has been said concerning the market and retail distribution applies to the sales problems of the wholesale distributor.

The wholesale distributor's selling problems include sales management, market research, selection of dealers, advertising, dealer cooperation, trade abuses so far as they affect sales, and similar problems. It is the object of this chapter to discuss (1) the sales department, (2) market research, (3) sales planning, (4) selection of dealer, and (5) trade abuses. Market research is basic to all selling problems, intelligent sales planning, therefore, is considered along with market research.

The Sales Department

The Sales Department and Its Functions—In the distribution of men's apparel, the selling activities are generally centered in a single executive or group of executives. More frequently the sales manager works closely with the credit manager, advertising manager, and an executive from the production department. Working out from these major divisions

are executives whose functions are primarily sales. For example, some concerns employ a merchandise counselor, whose task it is to work with the retailers and assist them in their merchandising problems. Advice is given as to stock arrangement, control methods, and selling tactics. A noteworthy trend in sales development is the idea of working with the retailer from the purely merchandising standpoint rather than the standpoint of increasing orders per unit. The research department of some concerns, and the statistical department of others, have, as a major function, the development and maintenance of sales.¹ The publicity departments of some leading producers also have sales as their objective. Most of them feature the twin ideas of quality and style. Finally, the stylist works with the sales department, as his chief problem is one of consumer demand. All of this cooperative effort tends to facilitate and supplement the work of the sales department.

The chief function of the sales department is to maintain permanent relations with customers and, at the same time, increase sales by assisting dealers to sell more of their product and to secure new business. Specifically, the functions of the sales department may be classified as follows:

- 1 Extending the market by securing new business with new accounts
- 2 Defending the market, by building up permanent relations with dealers and assisting them in increasing their sales
- 3 Coordinating activities of sales department with such related departments as credit, advertising, and research
- 4 To study consumer demand, trends in distribution, and competition
- 5 To develop such selling policies as exclusive agencies, advertising, branded merchandise, and similar policies
- 6 To select, train, and direct salesmen

¹ The Research Department of Alfred Decker and Cohn Chicago is carrying on work of this type.

² B. Kuppenheimer, Inc. Chicago have a separate publicity department under the direction of Orton B. Motter. This department issues a bulletin called *Tomorrow's Merchant*.

The exact boundary line of the activities of the sales department will be determined in a particular concern by the functioning of these related departments.

The activities incident to the performance of these functions are fairly obvious. However, the coordinating function should be emphasized, as unfortunate maladjustments often occur. There is frequently a conflict, for example, between aggressive sales tactics and a sound credit policy, or the sales department may misunderstand the work of the research department.

The Distribution of the Salesman's Time—The distribution of the salesman's time is another problem requiring additional consideration. Due to the highly seasonal nature of most wholesale selling, it is urged that the salesmen should spend their non-selling time in going over the territory, assisting in market analyses, or acting as merchandising counselors with their customers.

The Selection, Training, and Compensation of Salesmen—The advances made in retail buying and the increasing difficulty of selling have been instrumental in bringing about the decline of the old drummer type of salesman and the coming in of the newer type, commercial representative, no longer called traveling man—now he is personal contact man, field representative, or commercial ambassador. Sales made over a friendly cigar or through intimate acquaintanceship are no longer so important as in former days. The selection and training of salesmen is therefore an important problem of the wholesale distributor.

Aside from the basic qualities of character, honesty, and intelligence, the men's apparel salesman must possess such technical information as knowledge of the product, style movements, trends in distribution, and other problems relative to the men's wear industry.

In selecting salesmen several sources are available. Not infrequently a young man begins as a model, later becomes junior salesman, and finally achieves the status of a regular salesman. In any sales department, there are a number of apprentice-like positions, in which a young man may start and work up to a regular selling position. Salesmen are often secured from competing firms. There is always competition for salesmen who have built up large personal followings. So long as the procedure is kept on an ethical basis, there is nothing unfair about this way of securing salesmen. Salesmen are frequently secured through advertising, either in trade journal or daily newspaper. Many concerns now follow the policy of employing university men, trying them out in the various phases of the business, and in this manner selecting a limited number who show potential sales ability.

Sales Training —The training of salesmen should include information concerning

- 1 The organization and its policies
- 2 Commodity analysis
- 3 Style information
- 4 The market to be cultivated
- 5 Successful selling methods
- 6 The selling and non-selling duties that salesmen are called upon to perform

The form of this training varies. The most successful is training of the apprentice type, which orients the individual in the various phases of the business by having him spend some time in various departments. This work should be supplemented by sales lectures and actual demonstrations. The training of the salesman never ends. Between selling seasons, sales conferences and time spent in the house continue his training. Sales bulletins, sales literature, and manuals are utilized with varying degrees of emphasis by various concerns. Once a salesman becomes established, contact with the trade and ex-

change of ideas with other salesmen constitute a very desirable stimulation.

The tasks to be performed by salesmen vary with both the trade and the individual concern. In general, they may be classified as selling duties and non-selling duties. Among the selling duties may be listed

- 1 Acquiring all information necessary to make sales such as information regarding the concern, the product, competition, trends in retailing, and the conditions in the territory.
- 2 Planning the routine of the work.
- 3 Securing interviews and making sales with the attendant obligations to both firm and customer.
- 4 Merchandise service. A part of the selling duties consists in rendering service to the retailer by watching his stocks, visiting with his salespeople, giving information regarding conditions in the territory, assisting in the organization of window displays, and in the dissemination of dealer helps. These points are important in the creation of goodwill and the maintenance of permanent relations with the dealer.

This latter point is on the border line between selling and non-selling duties, yet it has a more direct bearing on sales.

The non-selling duties include

- 1 Collecting and transmitting credit information and watching the credit standing of the account. Collecting overdue accounts.
- 2 Making necessary adjustments.
- 3 Assisting in the collection of market research data.
- 4 Making out all reports necessary for superiors.

Salesmen's Compensation—There is no uniformity in the compensation of salesmen in the men's apparel trade. A great deal depends upon the unit of sale, type of commodity, length of selling season, and experience of the salesman.

The characteristics of a satisfactory compensation plan are (1) adequate compensation (2) simplicity, (3) fairness, (4) proper proportion to results accomplished, (5) prompt reward, (6) provision of sales incentives,⁴ (7) promotion. In the men's apparel trade the various methods of compensating salesmen are as follows:

- 1 Straight salary
- 2 Commission on sales
- 3 Commission on gross profits
- 4 Sliding commission
- 5 Salary and commission
- 6 One of the above-mentioned plans plus a bonus or a profit-sharing plan

Of these plans the straight salary is probably the least used in the wholesale distribution of men's wear. The majority of clothing and furnishings salesmen prefer to work on some form of a commission basis. The straight salary plan is useful in the compensation of house salesmen and in the payment of those engaging in sales promotion activities where results are not immediately in sight.

The commission plan in one form or another is widely used, especially in the sale of clothing. There is some danger here, that volume may be obtained at the sacrifice of stable relationship or the slighting of non-selling duties. Usually accompanying the commission plan is the drawing account, which really amounts to a loan against commissions yet unearned. In many cases the drawing account is guaranteed.

Another variation of the commission plan is the commission on gross profits. Many furnishing concerns use this plan, although it entails much clerical work. This plan naturally draws the salesman's attention to the articles which yield the greatest margin of profit to his concern.

With the sliding commission, the rate of commission increases with the volume of business. Past records are exam-

⁴ For further discussion see T. N. Beckman, *Wholesaling*, Ch. XXV.

ined and from them future sales are judged and predetermined and commissions for the ensuing period fixed accordingly. Accurate data as to the extent of the use of this plan are lacking, although concerns engaged in the distribution of summer clothing have utilized this form of compensation.

A more popular method is that of the salary and commission. In this plan, a quota is established and all sales above the quota carry a specified commission. In the furnishings trade, the salary and departmental commission may be used, where the commission is paid on sales exceeding a certain figure fixed for the department.

It is, perhaps, fair to assume that most concerns supplement their compensation schemes with a bonus. This bonus may be based on net profits or upon total sales of each man.

Appearance is important in the sale of men's apparel. To avoid skimpiness in this respect, a portion or all of the traveling expenses are generally assumed by the concern. Methods are devised to keep these from being excessive and results are found to be more satisfactory than when the salesman pays his own expenses out of his commissions.

Market Research

Effective functioning of the sales department depends greatly upon the market facts ascertained through the research department. Although so directly related to sales, it must be remembered that market research is important to other departments as well.

Not so long ago, almost any producer could sell goods up to the capacity of his plant by appealing to any convenient portion of the possible market. But, with the growth of plants both in size and number, the sharpened competition with other producers in the same line and with other industries, "substitute" competition, and the increased scattering of response resulting from multiplied pressure, efforts put forth without a

factual background do not get adequate results from the market. To supply this background is the task of market research.

Market research is to be distinguished from what is sometimes called industrial research. Market research is primarily concerned with the gathering of facts, pertinent to problems of demand and other distributional problems. Industrial research applies more accurately to scientific analysis with reference to production technique. Commercial research is a term comprehending both industrial and market research.

The Research Department—The fundamental character of the research department is to act as the supply house of all information of whatever nature concerning the market. In this capacity it collects, and analyzes, and then disperses in some published form, the data thus made available. Its service to the individual concern is to give a bird's-eye view of the entire marketing situation, as comprehensive and inclusive as possible. In the absence of a separate administration, market research is handled by the sales or advertising department, or by the advertising agency, or the statistical department, or perhaps the sales development or promotion department. Some concerns get their market research data from outside firms which specialize in market analysis. But on the whole, it is more satisfactory to have a separate market research department.

The research director must be analytical in temperament, and a clear and accurate thinker. He should have a working knowledge of research technique, possess initiative and enthusiasm, be able to handle his own department in executive fashion, and to coordinate his work with that of other departments. Coordination with the work of other departments is highly necessary, although often not obtained without some friction. The sales department is tempted to view market analysis as a sort of spying system, while the advertising de-

payment in my view it is an usurpation of their functions. The research director needs, therefore, both tact and persistency.

Collecting Data—Aside from the secondary data locally at hand, it is necessary to collect a considerable amount of primary data. These data may be secured from the field by special investigators, salesmen, or agencies organized for this purpose, or through the use of the questionnaire or some other written form. Most of the market research in the future will be based on field interviews rather than on desk work or questionnaires. The passing of the questionnaire type of research is a good thing. The types of data which can be satisfactorily collected by this means are highly limited and must inevitably give way to the data collected by well-trained research men who are able to distinguish the facts that actually bear upon the problems.

Market Data—Market data include information on both ultimate consumers and retail distributors. A broad classification of market data should include data for the purpose of market classification, data for the purpose of measurement, and data on market preference.

1 DATA FOR PURPOSES OF CLASSIFYING MARKETS AND CONSUMERS Consumers may be classified according to age, sex, race, religion, or other social factors bearing on their market status. They may be classified according to the volume of business done, the type of business, competing lines carried, or on other appropriate bases. Markets themselves may be grouped according to density of population, purchasing power, urban or rural nature, standard of living, or perhaps geographical location.

2 DATA FOR THE PURPOSES OF MEASUREMENT Market analysis, for many companies, consists of the quantitative or qualitative measurement of the potential market. In some cases this will mean a direct count of possible buyers, in the majority of cases where a number of consumers are concerned, it will be

necessary to use some indirect method, such as the so-called market index. The company may make up an index of purchasing power based upon investigation. It may, on the other hand, be able to utilize some of the indices prepared by the various publications for use by their advertisers. Great care should be exercised in the adaptation of these figures to the company's problem.

3 **DATA ON MARKET PREFERENCE** The market research department must find out whether a competitor's policy is better liked than their own by the company's customers. In a similar fashion, preference as to brand or other elements of demand may be ascertained.

From our brief analysis of market research, it is obvious that the statement made earlier, namely, that the scientific work of the sales department must be based upon the factual material collected by the research department, is abundantly proved. Additional content is given to this statement as we proceed to discuss sales planning and related problems.

Sales Planning

In planning a sales program, there are three problems to consider: one is the determination of the total sales volume set for attainment. Next, the territory must be divided into districts or selling territories, and the third problem has to do with sales quotas, or, in other words, problems of sales forecasting, trading areas, and sales quotas. Their solution is greatly aided by the indispensable work of the market research division.

Sales Forecasting—When a clothing manufacturer is in very close relation with his dealers, as may be the case when he sells through exclusive agencies, he may obtain estimates from each dealer as to conditions in the territory and the volume of sales expected during the coming year. This estimate should

be checked, of course, against sales of previous seasons. Another plan of sales forecasting is to gather figures of past sales, an index of general business conditions, retail inventories in customers' stores, and estimates made by members in sales and credit departments, and from these data arrive at an estimate of sales. Based on such material, some concerns have constructed an index of sales.

Specifically, the factors determining anticipated sales volume for a given concern are past sales, market potentialities, competitive conditions, conditions in the retail trade, general business conditions, and the sales policy of the individual concern. Most clothing firms rely upon past sales records, plus an estimated increase, to enable them to determine the expected annual volume. A market analysis gives the present conditions in the market, and from these facts market opportunities may be determined. Competitive conditions are a factor, because competitors' plans for expansion and for readjustment of distribution policies may have some effect on the annual sales volume of a given concern. Similarly, conditions in the retail trade have their influence. The uncertain position of the independent store, the growth of chains and of group buying syndicates, all these things tend to affect the possible sales of a given concern. A factor, always present, but often overlooked by wholesale distributors, is a movement of the business cycle, which shows itself in general business conditions. These conditions in turn affect the possible sales outlet. Changes in sales policies are often made which affect total sales volume, for example, some concerns plan to enter new territories or to develop new but related lines.

A final factor influencing sales forecasting is the rapidity of style changes. In some items, frequent style changes lessen the utility of the article to the consumer, which results in more frequent purchases. Where style changes are slower and the garment may be worn over several seasons, the demand may be lessened. With the passing of a fad, the demand for the

commodity may completely cease. These facts are reflected in the retailers' orders to the wholesale distributor.

Trading Areas—The second problem, that of dividing the market into selling territories, is one just now receiving particular scientific attention. The trading area has always been an economic fact, but the shift to a consumer's market and the make up of retail geography have given impetus to the scientific development of natural trading areas.

The first organized use of trading areas in research work was probably original with newspapers. The idea was later taken over by a few progressive sales managers and market analysts, who saw that routing salesmen and setting quotas on a purely state-line basis was erroneous, since commerce moves by trade lines and not according to political boundaries.⁴ Development of trading areas provides a new basis for market comparisons, as well as an opportunity to place sales cultivations on a more scientific level.

An important advantage which has been derived from this conception of the trade area is the possibility of analyzing markets as a series of buying groups, instead of, as formerly, by the arbitrary political divisions of states, or counties, or cities. Another worthwhile advantage is the assistance thus gained in choosing properly allocated wholesale and retail outlets. Unless the dominance of any particular trade area is plotted on a map, and its influence in surrounding towns is noted, it is easily possible that salesmen, in their endeavor to open up new accounts, will needlessly duplicate the number of retail and wholesale outlets necessary for a particular area. A final point is the determination of trading areas for individual

⁴C. S. Duncanson in his *Marketing Methods and Problems* called attention to this fact and within the past three or four years there have been a number of contributions to research in this field. Among these can be included the *Atlas of Wholesale Grocery Territories* published by the Department of Commerce, *Retail Shopping Areas* worked out by Paul Cherrington and published by the J. Walter Thompson Company, and the *Marketing Map of the United States* worked out by Frederick D. Wood of the Marketing Division of the International Magazine Company. A recent publication of the Crowell Publishing Company entitled *National Markets* which makes use of the U. S. Department of Commerce's study as a general trading area basis for all commodity lines combining this with the estimate of country income worked out by Henry G. Weaver of the General Motors Corporation should also be noted.

commodities, or even brands. The trading areas for clothing will be somewhat different from the trading areas for furnishings. And there is, as has been shown, a somewhat greater overlapping of trading areas for clothing than for furnishings.

The proper development of trading areas has decided influence upon the selection of dealers, the centering of sales promotional activities, and the tendency toward market integration. Intelligent plotting of trading areas depends upon the material obtained from a sales analysis. Wherever possible, sales figures should be analyzed and compiled in several or all of the ways suggested below:

- 1 Sales by territory, size distribution, and price range
- 2 Sales per salesman
- 3 Sales by method of sale, showing whether orders are obtained by traveling salesmen, mail order, or directly from the customers who call at the house
- 4 Sales by terms of sale, that is, cash or credit sales, if credit sales, they should be classified according to the length of the credit period
- 5 Volume of sales to individual customers
- 6 Sales by merchandise departments

The information derived from a sales analysis may be used not only in the determination of trading areas, but it will show the comparative profitableness of the various territories, whether sales are well distributed over all lines produced, and the profitableness of selling to individual accounts. It will further check the productivity of individual salesmen. Finally, many and various facts are obtained which enable the wholesale distributor better to assist the retailer, in such a problem, for example, as the proper distribution of sizes and prices, which retailers often find a difficult matter to gage.

Sales Quotas—The sales quota refers to the volume of sales that each salesman is expected to make. The determination of this quota normally follows sales forecasting and the

laying out of trading areas. Therefore, the data needed for the sales forecast and the trade area form the basis for determination of sales quotas. In the men's apparel trade, sales quotas are usually established on a yearly basis, as the highly seasonal nature of most items of men's apparel renders impractical quotas set on a monthly basis.

Contrary to the tendency of American business, it is important that the quota be kept within reasonable bounds. A negative effect attends the setting up of an unreasonably high sales quota, and leads to the neglect of the non-selling duties.

One concern has devised an index of sales based on past seasons' sales and conditions in the retail trade. From this index, sales quotas are set up. Such an index considers the immediate factors influencing sales, but it tends to overlook the influence of general economic activity, commonly referred to as the activity of the business cycle. It is well to remember the one, but the other should not be forgotten. It is therefore advisable to consider the influence of general business conditions on sales and sales promotional activities.

The Influence of General Business Conditions—An interpretation of the business cycle plays an important part in any program of market distribution. Prosperous years bring sales of almost all products, especially those which are luxuries or semi-luxuries to the great mass of the population. There may also be an actual falling off, in periods of prosperity, of sales in certain of the cheaper cotton garments. Similarly, cyclical movements appear to affect the growth of retail types. As has been previously observed, house-to-house selling is intensified during periods of depression, and there is a shift to what might be known as stores making a price appeal. A general trading-down movement is apt to accompany this depression phase of the cycle. Wholesale trade shows a wider swing than retail trade, but the movements are timed not far apart. Another point is that stock-turn is considerably slower in some

departments and therefore price changes in these items are much slower than in other items

The bearing of the business cycle upon the market policy is primarily determined, it is evident, by the local and internal conditions of the individual concern, however, certain general policies in respect to this recurrent business phenomenon may be indicated. It is perhaps better to extend credit during depression and to curtail credit during prosperity. As for advertising, it is generally more advisable to advertise on the up-swing of the cycle, rather than on the peak of prosperity. The purchasing of raw material is, of course, a highly seasonal and often a long-time affair as commitments are made in advance. Purchasing records over a period of years, however, will serve as a guide in working out a satisfactory policy of purchasing. If a price cycle is worked out, purchasing may be conducted with reference to price, but bear in mind that a low price may betray one into excessive purchasing, and so consider carefully the wisdom of your buying.

Selecting Dealers

Supplemental to the broad problems of sales planning, sales forecasting, trading areas, and sales quotas is the problem of selecting dealers. This problem is conditioned by the nature of the product, the competitive position of the individual firm, and the cost of selling. If the product is a convenience purchase, it may well be sold to many dealers over a wide territory. Specialty products, especially where identification is a feature, tend to follow a more selected distribution. Many concerns are not competitively strong enough to select, in a very literal sense, their dealers, others are. Finally, knowledge of the cost of selling, and especially of the cost of selling to small accounts, influences the selection of dealers.

Selection of dealers may take the form of the exclusive agent plan, the vendor tie-up plan of group buying, or of con-

centrated buying. In general, the factors that make for direct selling apply to the problem of selecting dealers. There is also involved what may be called the negative problem of selling to the small account. Finally, selecting dealers raises the whole problem of wholesale distributor dealer relationships, including matters such as changes in retail buying methods, trade abuses, etc.

Underlying the specific task of selecting dealers is the broader problem of selective distribution. This does not mean limiting the product to one dealer in a city, on the contrary, it implies the vigorous cultivation of active dealer outlets, and the disregard of those outlets which are not sufficiently active to justify their employment. Selective distribution concentrates the sales effort on building up the more profitable accounts. In selecting a dealer, a relationship may be calculated between the volume to which a product is entitled in a given community and the number of outlets through which that volume is to be reached. This plan recognizes that it is more profitable to distribute 100 units through some chosen dealers rather than the same number of units through numerous promiscuous dealers. Observance of the fundamental principles of selective distribution protects the dealer against competition from the manufacturer's own product and helps the dealer to sell instead of his being over-sold by the manufacturer.

Frequently, it happens that a manufacturer cannot find a satisfactory dealer to sell his product. This is one of the factors that has led to market integration, a subject which is discussed in a later chapter. In the present, we continue the discussion of selection of dealers, taking up in turn the various forms in which this is carried out.

The Exclusive Agency—The exclusive agency is an immediate approach to the problem, and is used by many wholesale distributors of men's apparel. This plan of selling has received some discussion under retail distribution. It will

be analyzed here from the viewpoint of the wholesale distributor

Specialty goods, in particular, lend themselves to effective sale on the exclusive agency plan. These goods are bought largely upon the reputation either of the goods or of the dealer. In their purchase, price is of secondary importance. Another situation where the exclusive agency becomes necessary, or at least peculiarly applicable, is where a large investment is required for a representative stock, as is often true in the men's clothing trade. In such a situation, restrictive distribution is not at all likely to affect unfavorably the total volume of sales.

Manufacturers desire to maintain a closer control over the retailing of specialty goods than over either shopping or convenience goods. The maintenance of their own retail outlet or the use of the exclusive agency makes this possible. On the whole, this form of selected retail distribution has become the outstanding and most characteristic of the various plans for manufacturers' distribution of the better grades of men's clothing, hats, and, in some cases, furnishings, such as hosiery and shirts.

Into every successful exclusive agency agreement there enter two practical considerations.^a (1) The manufacturer must, first of all, identify the line or the commodity. This is ordinarily accomplished by trade-marking or branding, which not only identifies the product but also imposes a moral obligation on the manufacturer to maintain its standard of quality. (2) The retailer assumes a moral obligation to develop his market in a businesslike way. He supplies the place of business, the merchandising organization, and the knowledge of local demand. These are among the business assets which the manufacturer secures in return for granting exclusive selling rights. But he may secure this assistance without restricting his agency to one concern. A definite and special cooperation

^aNew York University Bureau of Business Research, *The Exclusive Agency*
p. 1

must therefore exist, so that the agent will realize the obligation imposed on him, namely, that in return for the sole selling rights, he shall utilize them to the utmost through aggressive selling methods. These methods involve either local advertising, or special sales effort, and sometimes both.

Advantages to Manufacturers—The manufacturer of men's apparel who grants an exclusive agency to a retailer is in a position to receive a number of benefits

1 A more active sales effort. The agent knows more about the product and aids the manufacturer in carrying out his advertising program. The exclusive agent is willing to exert himself to sell a customer in all the features and qualifications of the goods so handled, as all repeat business in his community must come to him. He is even willing to feature such brands in his own advertising.

2 The obvious dependence of the manufacturer and the agent upon one another makes for cooperation and for greater stability in their relationship.

3 It provides a regular and dependable volume of orders. If the agents are carefully selected, the manufacturer is assured of adequate and proper representation. It thus makes for a better coordination of production and distribution, since all desirable data on the market may be secured from these agents.

4 It eliminates price-cutting, which makes competition from the manufacturer's point of view more reasonable. In the absence of local competition on identical goods, there is less incentive to cut prices, so that suggested prices are generally adhered to closely, although the contract cannot legally prohibit price cutting, so long as an outright sale is involved.

5 It reduces operating expenses. Fewer accounts are carried on the books, credit risks are minimized, fewer claims and adjustments are made necessary, sales are in larger quantities, and little supervision effort is required.

6 It tends to lessen the number of fill-ins, since stock orders are generally placed by agents for relatively large amounts. It is also claimed that the exclusive agency account remains a customer

for a longer time, on the average than the account sold on the open plan, as the agent is not so interested in price concessions or other advantages that might be offered by competitors

Disadvantages to Manufacturers —

1 The exclusive agency may limit distribution. This in turn reduces the scale of operation of plant and increases cost of production. It reduces the number of outlets and makes distribution more spotty. Selling effort is likewise less effective.

2 Then there is the necessity of establishing new relationships in case of failure of the agent, or when the latter sees fit to terminate the relationship.

3 Some agents handle and push competing products. The agency plan then loses its effectiveness, as many competing lines cause a diffusion in sales effort.

4 It is claimed that the plan promotes substitution on the part of those merchants who do not carry the brand in question.

5 Finally, other dealers may be antagonized by the manufacturer's policy, and if the original agent proves unsatisfactory or if the agency plan does not work out well, later distribution is hampered by the other dealers' antagonistic attitude.

The Policy of Various Concerns with Respect to the Exclusive Agency —Dunlap hats are sold to exclusive agencies, and their sale is promoted by the retailers having the agency. Stetson hats, on the contrary, are widely advertised by the manufacturer, who grants no exclusive agency. Ever since its foundation in 1823, the Mallory Hat Company, Inc., distributed through the exclusive agency, but abandoned the plan in 1921. In New York, for example, this company took four accounts instead of the former single account. This change of policy, it may be remarked, greatly increased the sale of Mallory hats. Hickey-Freeman, B. Kuppenheimer, and other high-grade manufacturers of men's clothing still utilize the exclusive agency plan.

In the opinion of some, mass production, with its necessary companion mass distribution, is leading to the abandonment

of the exclusive agency plan. When a line is confined to one dealer in a town, the matter of getting volume becomes more or less an artificial process, one that has to be forced rather than one that goes on naturally and economically.

Another practice, followed in some instances in order to secure a somewhat wider distribution, is to sell without brand or label in the same market where an exclusive agency has been granted. This may take the form of having some quality house make clothing to be sold under the retailer's name, or the retailer may purchase the fabric and turn it over to a factory for production.⁶

The exclusive agency is in process of change. The trade observes several practices which are exclusive agencies in effect but differ in form. For example, wholesale distributors are organizing retailers into buying groups, while others are acquiring financial control of retail outlets. It may be that the familiar exclusive agency agreement is on the decline, but a new and more effective form of control is supplementing it.

Selling to the Small Account—Selecting a dealer is, in part, a matter of selecting a profitable account. This raises the problem, already mentioned, of selling to the small account. Time was when national distributors of men's apparel would point to an 80% or 90% distribution in a certain market. In view of certain facts relative to the number of retailers of men's wear, and to the merchandising ability of these retailers, it would be a foolish distributor who would point to such a fact today. In the Census (trial census) of Distribution, it was brought out that 81.53% of men's clothing and furnishings stores do an annual business of less than \$50,000 per year, and absorb only 24.82% of the total business in the cities investigated. Certainly these retailers would not furnish a good outlet for many wholesale distributors.

⁶ Some concerns receive business in the form of cut make and trim, usually charging a higher price than the merchandise could be purchased for under their own trade names. This situation is partly an outgrowth of the large department store policy of purchasing the fabric and having garments made up under their own names.

Wholesale distributors report that, in some instances, from 5% to 50% of their accounts are unprofitable. In such a staple as work clothing, it has been figured that the cost of selling overalls to small retailers averages \$50 a year, and that, on the grade of merchandise usually stocked by such merchants, it is impossible to make a satisfactory profit. Analysis of sales and selling costs in many other lines also tends to emphasize the wisdom of the policy of those manufacturers who are endeavoring to sell small accounts direct at a decent profit.

The problem of selling to the small account is also intensified by the credit situation. Small accounts, in the opinion of most wholesale distributors, are more of a risk and are slower in payment than the larger accounts. The term, small account, by the way, does not necessarily refer to the small independent dealer. It may just as well refer to the dealer who scatters his buying. To counter this sort of buyer, many concerns urge concentration of buying. Again, selling new small accounts often proves costly, because to other costs must be added the cost of breaking down sales resistance. To overcome in part this difficulty, some distributors employ a "free-lance salesman" for that particular purpose. This man works both by mail and by traveling, but he does not deal with established accounts. The regular road men, although not required to "pass up" new accounts, are supposed to devote most of their time to their established customers.

Whether a large or small account, a qualitative check is frequently desirable. As a step in this direction, some concerns classify their dealers on the following plan:

Class A. Stores of manifest excellence in their respective lines, giving courteous and intelligent service and catering for the most part to a discriminating clientele.

Class B. Efficiently managed stores catering to a clientele, the majority of whom are people of moderate means and at least ordinary intelligence.

Class C Slipshod stores doing business for the most part with slipshod people. The clerks in these stores are generally inferior.

Class D Not necessarily inferior to Class B and Class C, but of a different type. Class D stores are found in foreign districts where it is difficult for American ways to penetrate.

A classification of this type should be used supplementary to such quantitative facts as credit rating, annual volume of business, etc.

Selection of Dealers as Modified by Changes in Retail Buying—The many and sometimes radical changes that have been made in methods of retail buying are another factor in the selection of dealers. These changes have been discussed in detail under "Retail Distribution," but it will be helpful here to review their relation to the wholesale distributor's selling problem. The changes referred to are hand-to-mouth buying, cooperative retail buying, and the tendency of retail buyers to seek the market.

1 HAND-TO-MOUTH BUYING This practice in buying affects the size of the individual order, which in turn reacts on the wholesale distributor's selling cost. To the wholesale distributor, hand-to-mouth buying presents the problem of handling a large number of small orders, which forces upon him the necessity of carrying larger stocks and of assuming a heavier burden in style risks. Hand-to-mouth buying has no doubt been one of the factors that have prompted the wholesale distributor to secure dealers who would concentrate their buying, and to organize retailers into buying groups.

2 COOPERATIVE RETAIL BUYING In most forms of cooperative retail buying, dealers select producers, although it is a selling problem of the individual concern as to whether it is advisable to associate itself with buying groups. The

main exception to this procedure is the organization of retail buying groups by wholesale distributors. Cooperative retail buying has also been a factor in stimulating some manufacturers to secure control over retail outlets.

The problems occasioned by cooperative retail buying are similar to those coming from other forms of large-scale buying, such as the chain store, department store, and mail order house. The wholesale distributor, therefore, may find himself confronted with this question: What type of large-scale retailing is it most advantageous for me to deal with?

A related selling problem, resulting also from cooperative buying, is the status of the wholesale distributor's salesman. Although they will not be displaced, yet the number of such salesmen will probably decline, and they will come to function more as sales administrators rather than as what we now consider typical traveling men.

3. TENDENCY OF RETAIL BUYERS TO SEEK THE MARKET. Wholesale distributors have, to a certain degree, encouraged retail buyers to seek the market, through such mediums as merchandise fairs, style shows, buyers' weeks, and similar promotional activities.

It is only recently that resident buying organizations catering to the men's apparel trade have developed. From the viewpoint of the wholesale distributor, the problems arising from this new tendency are similar to those emanating from cooperative buying. In some lines, it has become almost unprofitable to send out traveling salesmen. Moreover, these buying offices are often tempted to engage in cooperative buying in some form, and thus, it becomes necessary for manufacturers to give much more time and thought than formerly to the cultivation of the resident buying offices.

With the exception of hand-to-mouth buying, these other buying changes are more common to the larger than to the smaller stores. It must be remembered, too, that the bulk of

the clothing business is done by the smaller unit stores, who, thus far, have not been in a position to enjoy the advantages of either resident or cooperative buying.

Finally, the selection of dealers raises the whole question of wholesale distributor-dealer relationships. The more positive side of this problem is discussed in the next chapter under "Dealer Cooperation," since it is more closely concerned with sales promotion. The negative side has to do with trade abuses which arise out of the buyer-seller relationships existing between the wholesale distributor and the dealer. These trade abuses, therefore, are discussed in this connection.

Trade Abuses

Practically all branches of the industry are affected in some degree by trade abuses, such as cancellations, returns, allowances, demands for extra discounts and datings, piracy of patterns, demands for job lots, out-of-season reduction sales, etc. All of these evils work to cut the manufacturer's profit and contribute to increased costs in the industry.

Cancellations and Returns—Cancellations and returns are not new in the business relations between retailers and the sources of their supplies, nor the fact that they are accentuated by changes in the demands of the ultimate consumer. Retail competition, business depressions, the struggle for a higher turnover, and the adoption of the policy of "hand-to-mouth buying" result in a continually larger cancellation and return of merchandise. Retailers frequently resort to these practices without any legitimate excuse except their own bad judgment in buying, if that be one. On the other hand, manufacturers' representatives have, in the past, been too anxious to oversell the retailer. Also, retailers have had justifiable causes for complaint concerning quality, workmanship, fit, and other points about the merchandise that the manufacturers have supplied.

Yet aside from these points, there have been some unfortunate cancellations and returns which constitute a genuine trade abuse. Manufacturers have permitted these practices, knowing that it is almost impossible to enforce the contract if the customer has the slightest excuse for cancellation, and that in making such an attempt they will lose the customer. This situation is aggravated by the presence of small concerns owned and managed by people who know little about business ethics and reputable practices, and who are willing to take any chance and make any concession in order to secure dealers' business.

Piracy of Patterns—In some branches of the industry, the piracy of patterns is a source of much complaint among manufacturers. Often a concern may perfect new designs, only to have them appropriated by other manufacturers as soon as they are put on the market, the originator of the idea reaps little reward for the time and money spent in getting out the pattern. This situation is naturally much worse in the distribution of women's apparel than in men's apparel. There is pending in Congress the Vestal bill, which provides for protection of designs through registration. Trade associations, through their style committees, and the International Association of Clothing Designers are exerting an influence that seems to be minimizing a little, the evils of style piracy.

Demands for Job Lots—The demand for "jobs" or job lots, with the consequent cutting of prices, is another evil in the industry. All manufacturers have a certain amount of left-over goods at the end of the season, which they are glad to dispose of at reduced prices, to retailers, who in turn dispose of them by holding bargain sales. The legitimate sales, however, have led to the serious job lot evil. Certain retailers began the practice of buying "jobs" in certain lines as a regular custom and advertised cut-price sales at all seasons. The best manufacturers, rarely, if ever, offer "jobs" until the end of the

season. But certain other manufacturers, seeing a chance to secure business, offer "jobs" at all seasons of the year—in fact, make this their regular line of business. Such unworthy practices have a trading-down effect on the industry, they give the consumer a certain degree of dissatisfaction with legitimate lines, and their resulting evils are disastrously cumulative.

Again department stores often buy piece goods in large quantities at reduced prices and have cheap contractors make up a line of garments especially for sales. And the sales are not confined to the end of the season, but are held at any and all times. Still other retailers buy their garments in job lots, but do not advertise cut price sales—quite the opposite! They sell the goods at regular prices, thereby making an exceptional profit!

Price Cutting—Another evil is that of buyers' playing one manufacturer against another, with the consequent cutting of prices to get business. This has been especially true with the emergence of the competitive buying of chain stores, mail order houses, and group buying organizations. Many producers will frequently sell at a loss in order to make a sale, hoping thus to secure a permanent customer. The hoped-for result often fails to materialize.

Special Discounts, Etc—Requests for deferred shipments, extra datings, and special discounts also cause producers much annoyance and loss. Deferred shipments compel the manufacturer to hold the finished goods for some time. They take up valuable space, and all the time they are being held, interest and other expenses are mounting up on them. As to extra dating and special discounts, the manufacturer is placed in much the same position that he occupies in regard to cancellations. Rather than lose a customer, he will comply with demands which are sometimes very unreasonable, knowing that his competitors are willing to meet the demands, and hoping to establish a new permanent account.

Trade associations have a valuable opportunity to render effective assistance in the elimination of trade abuses. One of them, at least, has made a beginning. In the matter of sizings, the knit goods industry has put forth associated efforts in order to work out acceptable, standard specifications.

Convict-Made Goods—A trade abuse of far-reaching social significance is convict-made goods. About twelve states permit employers to equip factories in the prisons, the respective states contracting for the output. In the men's wear trade, work clothing is absorbing about 40% of the total value of the prison products which are sold in competitive markets. In the words of the International Association of Garment Manufacturers, prison competition is unfair because "(1) Goods are usually retailed without any mark designating that they are prison-made goods. (2) The contractors or selling agents for the goods really enjoy a state subsidy which enables them to undersell the market. (3) Prison goods enjoy a labor subsidy which places free-labor competing goods at a disadvantage." The views of this association are further expressed in the statement that "the competition of prison labor and prison-made merchandise is the greatest menace to profits in the garment trade today." This statement applies with full force to manufacturers of overalls, shirts, and other items of work clothing.

Substitution—A subtle form of substitution, disadvantageous to certain elements of the industry, is the practice of advertising a high-priced clothing line for the sake of prestige, and then selling the customer a lower priced suit because the sale is easier to make. The impression is frequently left with the consumer that he has purchased a high-grade suit at a very reasonable price. The typical clothier carries several price lines, and he should learn that it is just as much to his advantage to feature in various forms of advertising, his medium- and low-priced lines as it is to feature nothing but the higher priced line and then sell the customer the lower priced suit.

Manufacturers have a just complaint against this form of trading. Moreover, he is sure to be found out. The customer of the retailer soon objects to this way of selling, and the clothier has done himself nothing but harm.

Trade abuses are problems for the industry at large. One effort already being made for their elimination has been mentioned, but it is only a small beginning of a troublesome task.

Summary—The sales problem of the wholesale distributor is essentially one of reaching the consumer, considerably complicated by the necessity of reaching that person through one or more intervening middlemen. For their benefit, a sales department must be developed and the market area for a particular product or concern cultivated. Now, the successful cultivation of this area must be based upon market facts. To supply these facts, the market research division functions in the collection of data to be used by the various selling divisions. On the basis of these market facts, sales may be forecasted, trading areas determined, and sales quotas set. Moreover, since the activities in any market are influenced by general economic conditions, market research must assist in the determination of merchandising policies with relation to the business cycle.

In addition to this more general sales problem, the selection of dealers is necessary. Most items of men's apparel lend themselves to distribution through the exclusive agency, although leading concerns differ in their attitude toward this form of distribution. The growing recognition of the importance of selling costs has led many distributors to consider selective selling in relation to the profitability of an account. This raises the problem of selling to the small account, which, when carefully analyzed, brings out the fact that doing business with such an account is an expensive procedure. Finally, this problem of selection of dealers is modified by the great changes that have been made in retail buying. Hand-to-mouth buying,

cooperative retail buying, and the tendency of retail buyers to seek the market, are all factors calling for a readjustment in, and reorganization of, wholesale distributor-dealer relations. In some aspects, they seem to forecast market integration.

An important problem generally associated with the sales department is that of trade abuses. Cancellations, substitution, convict-made goods, and other abuses are objects of concern both to the wholesale distributor, the dealer, and the industry at large.

The broad organization of selling effort includes advertising, dealer cooperation, cooperative selling, and the trading-up movement. To these aspects of selling, the next chapter is devoted.

CHAPTER 17

ADVERTISING AND SALES PROMOTION

Advertising and sales promotion are selling problems, and, like all selling problems, they are forms of sales effort. This chapter takes up these subjects under the following heads: (1) the place of advertising in wholesale distribution, (2) advertising organization, (3) national advertising and advertising in trade journals, (4) dealer cooperation, and (5) cooperative selling and the trading-up movement. This last topic is discussed in this chapter because most forms of cooperative selling and most expressions of the trading-up movement are marked by some advertising activity.

The Place of Advertising in Wholesale Distribution

Advertising has a place in wholesale distribution because it is a natural outgrowth of large-scale production. Large-scale production, the consequent wholesale distribution over as wide a market as possible, introduces a division of the labor employed to secure this distribution. To make effective the efforts of these labor divisions, over a wide market area, and to enlarge this market steadily, is a function of, and a reason for, wholesaler's advertising. The labor divisions most benefited by such advertising are, of course, the sales units of the various wholesaler's outlets. To the individual concern a wider market results, up to a certain point, in decreased unit costs. It is quite true that advertising efforts of individual concerns are highly competitive and therefore acquisitive. Nevertheless, advertising must be judged by the same standard according to which other forms of selling effort are evaluated.

As a form of sales effort, advertising is here understood to include not only advertising in periodicals but also by direct mail, the preparation of dealer helps, of catalogs and house bulletins, as well as other forms of publicity.

The advertising plan of the wholesale distributor depends on whether he is appealing to the consumer or the retailer, or both. In the first instance, he makes extensive use of national advertising, in the second case, he finds the trade journal a very satisfactory medium, and in the third, both mediums are used. A number of wholesale distributors advertise, so as to influence consumers' purchases, and thereby make it relatively easy to secure the dealer accounts. Under our present system of distribution, a manufacturer would have to rely on local merchants for the sales promotion of his product, were it not for the opportunities that advertising affords. A retailer unless he has an exclusive agency, generally carries competing lines. Even if an exclusive agency, many of his lines are competitive. The manufacturer, therefore, faces the necessity of reaching the consumer in some form, either directly, or through building up strong dealer relations.

From the viewpoint of the wholesale distributor, advertising may be applied to supplement the work of the sales force, lessen sales resistance, aid in controlling distribution, increase prestige of the house, control demand, secure a more even distribution, break down buying prejudices, and keep old customers satisfied. Where style is an important factor, advertising may take a potentially strong style and make it a fashion. The success of such an attempt depends on the ability of the distributor to forecast what styles are more apt to become fashions.

The problems basic to an advertising and sales promotional program are the proper media for market development, the proper balance between the various elements of sales promotion, and the coordination of selling efforts. Thus the material presented in the chapter preceding blends into the general

selling program. These problems are more clearly understood as we proceed to our discussion of the way in which advertising and sales promotion is handled by men's wear distributors.

Advertising Organization

The Advertising Department—The organization and duties of the advertising department vary with the individual concerns. In most cases, this department has charge of dealer cooperation and publicity. It may also function as a research department and as a sales promotion department. Only a few concerns develop all of their own advertising; in general, the advertising manager and some advertising agency work together. The advertising department of the wholesale distributor functions more in an administrative capacity, and outlines the general program, and then cooperates with the agency in handling the technical aspects of the problem, the selection of media, use of space, appeals, etc.

Advertising Appropriations—It is a function of the advertising department to assist in the determination of the advertising budget. In the men's apparel trade, the majority of wholesale distributors set aside a certain percentage of sales to be spent for advertising. In other cases, they simply budget some total amount to be used for publicity purposes. In order to secure flexibility, a combination of these plans is desirable. In actual practice, the appropriation varies from 1% to 10% of sales. More often the figure is around 4%. Both the plans mentioned above for determining the appropriation err because they fail to consider the sales resistance anticipated for the year when the specific expenditure for advertising is made. When sales are increasing because of improvement in economic conditions, it is not ordinarily necessary that advertising expenditures increase in the same proportion. On the other hand, advertising pressure may well be exerted during so-called "bad" times. This fact is forcibly brought out in

our discussion of the effectiveness of advertising. This error is chiefly due to ignorance. It may be eradicated by seeking a knowledge of market facts, and giving them careful study.

Following the determination of the appropriation, the details of the advertising plan such as media, appeals, and so forth, are to be worked out. As they generally involve the use of the advertising agency, the work of these agencies is discussed at this point.

The Advertising Agency—The advertising agency has evolved from a space broker to what may be termed a merchandising agency. With this evolution, the work of the advertising agency has expanded to a point where it now serves as an integral part of the sales promotional activities of the majority of wholesale distributors. The agency, through its research department, makes a careful investigation of the problems presented. Through its production department, the plans and the copy are prepared, based on the results of the research work. Through its art department, the art work is either prepared or arranged for. The space department specializes in facts about mediums, the most suitable purchase of space, etc., and finally, a checking department sees that the advertisements have been inserted and the contracts carried out.

National Advertising

The national advertising of wholesale distributors takes the form of appeal to the consumer. National advertising was not used in the sale of clothing until the men's ready-made clothing industry boasted a few large producing units. At that time, the problem was to induce men to wear ready-made clothes rather than tailor-made clothes. This form of advertising steadily increased and was, no doubt, an important factor in stimulating the growth of the men's ready-to-wear industry. In other items of men's apparel, a historical observation of advertising brings out the fact that the original, fundamental

task of national advertising in this industry, was the overcoming of a dress habit, for instance, the advertising efforts of the producers of athletic underwear and shirts with attached collars. Once these innovations in dress became accepted, the problem of national advertising became one of developing the preference of one brand for another. This is one of its tasks today. Others have to do with fashion, proper dress, the value of personal appearance and the competition of the men's wear industry with other industries.

National advertising also partakes of the trading-up movement, which strives to sell not only quality and style but a larger quantity of the same article. The price appeal is generally absent in this form of national advertising. For example, a recent movement in national advertising is directed toward the increased sale of men's hats. The hatless fad and the indifference to headwear among men have caused a relative decline in the sale of hats. Wholesale distributors of clothing and furnishings are now featuring in their national advertising, the well-dressed man with a hat on.

A most important aspect of national advertising is advertising with the trend of demand. Specifically suggestive of this movement is the recognition on the part of some national advertisers of the importance of women in the purchase of men's apparel. One manufacturer ventured into women's publications with his advertising. A slight movement toward suspenders was taken over by national advertisers and the effect was tremendously to increase the sale of suspenders. Similarly, the practice of college men in wearing gym suits in preference to athletic underwear suggested to manufacturers the possibilities for profit in the construction of underwear of this type. In more recent years the use of color on this type of underwear has become quite noticeable.

Publicity may well be considered a part of the national advertising of men's apparel. Publicity refers to articles printed as "news" and not paid for directly as advertising. The

presidential campaign of 1928 carried many articles on the dress of the candidates and those who were associated with the campaign. Mayor Walker, of New York City, has always received publicity on his dress. Sporting news and social news carry items suggestive of the advisability of good taste in dress. The presence of this feature of national advertising may be due to the fact that some leading distributors prefer to use publicity in place of the more commonly used national periodical advertising. The radio as a medium of national advertising offers enormous possibilities, especially in the development of this publicity type of national advertising.

Reaching the Rural Market—Almost one-third of our people live on farms and nearly one-half of the population of the United States live in small towns. With the exception of work clothing, practically no advertising of men's clothing and furnishings is carried in farm publications. Yet, with present-day modes of living and ease of communication, the rural market makes almost as many demands in the way of style and workmanship as any other market. In the past, this market has come to the manufacturer largely because of the confidence that farm trade has had in a particular store. This is becoming less effective as buying is being transferred from stores built on the personal relations of the dealer, to those in the larger centers where the customer is not personally known. If they are to secure consumer acceptance, it is reasonable to assume that the wholesale distributors of men's wear should advertise more directly to the rural market.

Dealers in larger trading centers advertise in a fashion to reach the farm market as well as the market of the smaller towns. Yet this dealer advertising, as a rule does not feature a manufacturer's brand or product, more often, it is institutional in character, or features some special price.

Advertising Use Value—A possibility in national advertising as yet not fully developed is featuring the use value of

a commodity. In other words, an enlightened consumption is as important as an increased consumption. As applied to the men's wear trade, the consumer should be informed as to the appropriateness of dress, the opportunities for more effective use of a garment when it blends with the complexion and body type, the more healthful manner of using certain garments, such as a more frequent change of suits and shoes, and the physical advantage of wearing garments of lighter weight, such as athletic underwear. Many other uses might be noted, but these will serve to indicate the possibilities of what may be called use value advertising.

The Effectiveness of Advertising—The effectiveness of advertising may be measured in part by the impression it makes upon the consumer, and in part by its influence on the sales of a concern during adverse conditions. These two tests in particular lend themselves to laboratory analysis. A more definite statement of the effectiveness of advertising is found in a recent study involving the use of "association tests."¹ These tests were performed on over 1,000 subjects in various sections of the United States. The results clearly show the influence of advertising in establishing names and brands in the public mind.

Familiarity with brands was most pronounced in the fields in which advertising has been most extensive. It is to be remembered that a few years ago consumers did not know men's clothing, or flour, or coffee by manufacturers' brands. In all these cases, the habit of brand discrimination was established by advertising, and it is only reasonable to assume that it can be done in other cases.

When the majority of subjects mention some one manufacturer's name or brand, that name or brand is said to have mental dominance. This does not imply use or even preference

¹ Hotchkiss and Franken. *The Measurement of Advertising Effects*.

for the brand Arrow collars held mental dominance in the tests referred to above

Hats and hosiery are items of interest to the men's apparel trade, and they received separate analysis in the study of advertising effects. A branded hat plays a larger part in building the prestige of the name than branded hosiery. High price and long history are also factors. (Tables 38 and 39, Appendix C, show the total number of times each brand was mentioned, and the weighted scores.)

The effectiveness of advertising may be further analyzed by studying the relative movement of sales associated with different advertising policies. There is a measurable spread between the relative sales of the firms which increased their advertising and those which decreased. The firms which increased their advertising had a better sales record during the depression years than did those which decreased. To use an illustration from the men's clothing field, the relative expenditures of two well-known concerns are given below:

RELATIVE EXPENDITURES FOR ADVERTISING

	1920	1921	1922	1923	1924
Hart Schaffner & Marx	100	150	155	165	150
B. Kuppenheimer	100	50	65	65	45

Obviously, one concern has increased advertising over a period that has taken in the ups and downs of the business cycle. The accompanying graph shows the sales of clothing over the same period of time. The firms that devoted more to advertising enjoyed better results in the form of sales.

Apparent Decrease in the Use of National Advertising —

Despite the possibilities and advantages of national advertising there seems to be a decrease in its use. In the first place, according to one survey, the number of national advertisers of men's apparel decreased during the years 1912 to 1922 inclusive.² From 1922 to 1926 inclusive, a study based on advertising

² R. S. Vaile, *Economics of Advertising*, Ch. VI.

³ *Marketing Textile Apparel*, *Men's Clothing Issue*, Fairchild Publications, No. 3.

expenditures in 32 leading publications and compiled by the Curtis publications, shows a decline in the amount spent in the national advertising of men's apparel. Table 23 below gives the extent of this decline.

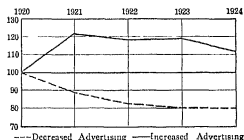


Figure 7 Sales Volume of Clothing Firms for Years 1921 to 1924

Note that firms making more extensive use of advertising secured a better sales volume. (This chart from R. S. Vaile, *Economics of Advertising*, p. 123.)

To obtain results from his national campaign, the wholesale distributor should secure the cooperation of his dealers in promoting sales at the same time. This is best accomplished through the dealer help program. Consumers frequently note a national campaign on the part of some producer in which the local dealer does not participate. This retards the success of the campaign as the consumer's mind is more often impressed by unified efforts. With similar reasoning we observe the fact that sales representatives frequently do not coordinate their activities with the national advertising of their house.

TABLE 23 ADVERTISING EXPENDITURES OF MEN'S WEAR DISTRIBUTORS

Year	Expenditures
1922	\$978,428
1923	902,135
1924	908,835
1925	895,718
1926	818,195

The reasons for this decline may be that wholesale distributors of men's apparel are using other channels of national advertising, such as the radio and various forms of publicity, or it may be that a misdirected campaign resulted in the abandonment of advertising through periodicals with a national circulation. Furthermore, where the exclusive agency agreement prevails, there is a certain paradox in national advertising, because this form of selective selling has a tendency to restrict distribution. This means that other forms of advertising may be more effectively used.

Another element in the situation is the fact that retailers are stocking more non-advertised lines (in the sense of national advertising), and this points out that considerable trade journal advertising is used.

Advertising in Trade Journals—Trade journal advertising is directed to the dealer, and, as such, points to the advantage of stocking a certain line. This form of advertising emphasizes distributor-dealer relations. From the viewpoint of the wholesale distributor the advantages of trade journal advertising may be listed as follows:

To aid selling by

- 1 Describing product and policy
- 2 Developing inquiries
- 3 Getting direct orders
- 4 Facilitating work of salesmen
- 5 Attracting buyers to showrooms
- 6 Opening new accounts
- 7 Holding old accounts

To strengthen house by

- 1 Establishing its name, brands, or trade-mark—or, put another way, developing goodwill
- 2 Impressing the advertiser's own organization with the product and its aims, and so developing a pride in the house and its products

- 3 Impressing, in the same way the trade including its sources of supply
 - 4 Attracting better salesmen and better help in general, thereby decreasing turnover in help, training cost, and trouble
 - 5 Giving the house its proper importance in relation to its representatives and so offsetting undue dependence on its salesmen
 - 6 Attaining and maintaining its position in its field
 - 7 Recording and getting credit for its original styles or novelties developed
- To strengthen position with customers by
- 1 Influencing dealers, retailers salespeople and organization
 - 2 Creating the proper impression and offsetting wrong or harmful impressions
 - 3 Interesting and educating the dealer to merchandise the advertiser's product to the best advantage
 - 4 Impressing dealers with the service and cooperation offered by the advertiser

To help the advertiser's own organization by

- 1 Eliminating unreasonable demands as regards styles, discounts, deductions, extensions—as a result of having impressed the trade with the policy of the firm
- 2 Facilitating
 - (a) Collections
 - (b) Salesmen's entree
 - (c) Financing
 - (d) Purchasing

To aid in launching a new product or style

To help revive an old product ⁴

Dealer Cooperation

Our attention has thus far been centered on selling efforts of the wholesale distributor in getting his product to the

⁴ Marketing Textile Apparel *op cit* pp 53-54

retailer To be sure, through the medium of national advertising, the wholesale distributor assists the dealer in selling his product, but the term, "dealer cooperation," implies a more intimate and effective assistance

Dealer cooperation properly includes all forms of whole sale distributor-dealer relations, which have as their objective maintaining and increasing sales It has been defined, "as a form of assistance extended by manufacturers and wholesalers to retail merchants which enables the latter, directly or indirectly, to increase their volume of business"⁶ Dealer cooperation may thus be interpreted to include the activities of the business service department and of the merchandise counselor It helps the dealer to sell the wholesale distributor's product, and finds in this particular activity, because of the lack of contact between retailer and wholesale distributor, a wide opportunity for sales promotional work The successful sales policy of a manufacturer or wholesaler must include the burden of getting the goods off the dealer's shelves The wholesale distributor is logically in the best position to work out the most effective way to sell his own goods, and to organize various plans and ideas to make demand active, but he must have the dealer's cooperation The retailer is in touch with local market conditions, while the wholesale distributor's sales organization is in active communication with style changes, merchandising trends, and other long-range factors that affect the retailer's business The buyer and seller relationship gives way to a partnership relation based upon a common, aggressive sales policy The retailer also gets a closer and valuable general tie-up with national advertising, dealer helps, and local advertising Yet, after the plan of dealer-cooperation has been organized, it becomes a definite problem, in spite of all its advantages, to get the retailer to show more than a lukewarm interest in it, or to make the best use of its possibilities

⁶ T. N. Beelman, *Wholesaling*, p. 366

Forms of Dealer Cooperation—Dealer cooperation in the men's apparel trade assumes a variety of forms. It may consist of advice to, or education of, the dealer in order to increase his efficiency. For example, some concerns employ a merchandise counselor, whose duty it is to administer aids to the ailing retailer. These ailments seem to comprise, in the main, slow turnover, an overdose of price levels, and general stagnation.

Dealer cooperation may take the form of instructing the dealer's salespeople. The Knox Hat Company collaborated with the Business Training Corporation in the organization of a course on retail salesmanship, based on a six months' survey. The course has proved to be a valuable aid to retail selling. Advertising and window displays are also objectives of dealer's assistance. Wilson Brothers, Chicago, conduct a one-week course on window display.* The principles of correct display are studied and applied to all lines of men's apparel—clothing, hats, shoes, shirts, neckwear, hosiery, jewelry, suspenders, belts, garters, pajamas, underwear, nightshirts, and handkerchiefs. The various little accessories that go to make up the modern men's wear display, and how to treat them, are given attention. In addition, there are talks on window fixtures, store layouts, store equipment, stock arrangement, store lighting, window budgets, floor covering, advertising tie-up with displays, color contrast, color harmony, and style forecasts for the coming seasons.

A current form of dealer cooperation consists of assistance to the retailer in keeping his books, collecting his accounts, and other problems of retail store management. The pure advertising form of dealer cooperation gives way, under the stress of competitive conditions, to merchandise assistance. Hickey-Freeman has issued an excellent bulletin on stock control. Other bulletins by the same concern on "The Story of Cloth," and "The Story of Men's Clothes," furnish excellent material

*L. H. Haney, *American Economic Review*, Vol. 10, pp. 529-515, quoted in Wright and Langdon, *Readings in Marketing*, p. 136.

for commodity analysis, and suggest many selling points to the retail clothing salesman. Under the head of dealer cooperation falls an important task now being carried on, whereby the wholesale distributor aims to assist the merchant in overcoming some competitive disadvantages. Several wholesale distributors have organized buying groups among the retailers. Others are putting out "Specials" to serve as a price inducement to the consumer.

Frequently dealer cooperation takes the form of educating the dealer through the medium of the house organ. For example, one concern emphasizes through its house organ the advantages of concentrated buying, another gives style information, such as style trends, and correct dress charts.

A most interesting tendency in dealer cooperation is the establishment by wholesale distributors, of schools of merchandising. These offer short courses, conducted in the wholesale distributors' place of business, and open to dealers. Window display schools have been mentioned above. In addition to this sort of training, such problems as buying, selling, controlling and advertising are considered. As a part of the work of these schools the dealer may secure information on lay-outs, display, plans for sales, sales training, and other business methods.

A form of dealer cooperation bordering on, and sometimes leading to, market integration is that where the dealer adopts a complete merchandising program that has been organized by the wholesale distributor. The exterior of this procedure savors of a chain store, but in this case the various units are independently owned. The units thus served by the wholesale distributor purchase the bulk of their merchandise from that wholesale distributor. In further illustration of this development, two specific cases are here reviewed.

The Grayco Shops, sponsored by the Marion R. Gray Company, Los Angeles, arose out of inquiries that came in, concerning opportunities to open a retail store. Potential dealers

of promise who could secure a good location were assisted by the Grayco Shop plan. These shops follow a uniform scheme as to such physical details as layout, display, arrangement, and equipment. They have no formal show windows, but in each window is a carved wooden table painted in black and red. The display may easily be changed in 30 minutes. The color scheme of black and red is carried throughout the store. The main ideas of layout are attractiveness and convenience both for owner and customer. The shops are almost of a self-service nature.

The cooperation given by the Grayco Shops is marked by physical characteristics. Other stores utilizing dealer cooperation may emphasize merchandising services. Such is the case with the Concentrators of Chicago.

The Concentrators of Chicago are a group of seventy merchants carrying Wilson Brothers' goods and accepting the merchandising service of this firm. For example, they adopt advertising and selling plans and make use of the control system developed by Wilson Brothers. One feature of the Concentrators is their agreement not to hold cut-price sales for the spring season before July 22.

Both the Grayco Shops and the Concentrators are outstanding examples of successful dealer cooperation.

The success of dealer cooperation depends on the attitude of the retailer towards this assistance. This is conditioned by the following factors:

- 1 The importance of a particular manufacturer's product in the sales program of the retailer. For example, many retailers carry competing lines but feature only one of them. It is here that dealer cooperation is most acceptable.

- 2 The usefulness of the dealer helps. In men's wear, window displays possess a high degree of utility, also of increasing importance are the merchandise schools.

- 3 The adaptability of dealer helps to the type of store. In the men's apparel trade, the unit store predominates. Under the stress

of retail competition dealer helps should promote the interests of the unit store. In fact retailers ask for assistance in meeting the various forms of retail competition.

4 The method of distributing dealer helps. This topic receives additional treatment in another section, but it is interesting to note at this point that dealer helps frequently have to be "sold" to the retailer before he will make effective use of them.

5 The wholesale distributors' knowledge of the retailers' problems. Formerly, wholesale distributors knew but little of the retailers' problem and relied solely upon the observations of credit men and salesmen for this information. Today, through the business service department and merchandise counselors, wholesale distributors are obtaining more facts concerning them, and the incorporation of this knowledge into the dealer help program makes the latter more productive.

What Dealers Want to Know—Dealer cooperation may be made more effective if directed toward definite retailing problems. Not infrequently, dealer helps tend to over-sell the retailer rather than to work on basic problems whose solution will have the ultimate result of stimulating his sales. In an effort to determine what sort of cooperation dealers want, about 800 retailers were investigated as to the type of problem of greatest concern to them. When carefully tabulated, 80% of their replies presented the following suggestions:

- 1 The comparative effectiveness of newspaper and direct-by-mail advertising
- 2 What should be the stock-turn in various departments with respect to the various selling seasons?
- 3 Information showing the necessary markup in order to make the necessary net profit
- 4 How to increase sales in the clothing department
- 5 Is the work clothing department worth maintaining?
- 6 How to shift from a credit to a cash basis
- 7 Model stock plans
- 8 Relative advantages of the various methods of retail buying

- 9 The influence of chain store competition
- 10 New ideas on retail advertising and sales promotion
- 11 Advice as to what additional lines to carry for Christmas trade
- 12 Methods of paying sales force
- 13 A plan of price concentration
- 14 The advantages and operation of a budget and control system
- 15 The importance of fashion in the merchandising of men's wear
- 16 The advisability of cooperative buying
- 17 A policy of advertising expenditure
- 18 The control of markdowns
- 19 The competition of the \$22 50 suits
- 20 The ten-payment plan
- 21 Merchandising the boys' department

Distribution of Dealer Helps—The distribution of dealer helps should be accomplished on an economic basis. In the past much material has been poorly distributed. Retailers frequently demand much from the dealer and then fail to make a timely use of it. Various plans have been developed to overcome this, such as charging the retailer for the assistance requiring him to sign up for certain forms of dealer assistance, or sending out a man to assist the dealer on the definite problem in question.

The Future of Dealer Cooperation—Dealer cooperation has thus far been marked by printed materials, window displays, and other forms of advertising and sales promotional materials. In the future, this form of cooperation will give way to more definite cooperation through the business service department, the work of the merchandise counselor, or the merchandise schools. The chief problem in the retail merchandising of men's apparel is the improvement of the methods of the dealer. Once this takes place, he will be in a better position to distribute the products of the manufacturer and wholesaler. Progressive

wholesale distributors have already made some advance in this direction and many retailers have secured their first information on stock control, accounting, sales analysis, and similar matters from the wholesale distributor. Without doubt much of the old type dealer cooperation was wasteful, but valuable educational experience has nevertheless been gained. In the future, the results of cooperation in the carrying out of a merchandising program are bound to prove productive.

Cooperative Selling and the Trading-Up Movement

Two separate but often related sales promotional activities are cooperative selling and the trading-up movement. These activities are carried on by the industry at large, by wholesale distributors, and by retailers. Cooperative retail selling has been discussed and the activities of the trade at large are reserved for Chapter 20, "Trade Association Activities." At this time our concern is with the wholesale distributor, although it is impossible completely to separate his selling activities from those of the retailer and the industry. The trading-up movement and cooperative selling are generally accompanied by extensive advertising and are thus a logical development of the present chapter.

Cooperative Selling—Cooperative selling may be defined as a cooperative action for the purpose of stimulating trade by educating the customer to some new concept, new buying habit, or the use of a commodity. Cooperative selling may carry out any one or a combination of the purposes set forth in this definition. One of the greatest fields for cooperative selling effort in the men's apparel trade is education to the importance of fashion and good taste in wearing apparel. Formerly, promotion of this type was carried on almost exclusively by women's wear producers, but now men's wear producers also find it profitable.

Hat producers have at various times engaged in cooperative selling activities in order to put before the public such ideas as (1) seasonal limits for straw hats, (2) several straws for the well-dressed man, and (3) eight hats in the wardrobe, not three or four. The campaign at present under way, whereby clothing advertisements will tie up more definitely with hat advertising has been mentioned. Advertisements of men's clothing no longer picture the well-dressed man always without a hat, quite the contrary, he almost invariably wears one and the styles are considerably varied!

Of a somewhat different nature is the recent plan for cooperative distribution of shirts. Manufacturers who produce shirts in different price ranges are now arranging to distribute, advertise, display, and otherwise reach the retail trade by a simple, organized effort.

Luggage, frequently carried in men's wear stores, is sold cooperatively. Under the plan adopted, a manufacturer submits a piece of luggage to a Merchandising Committee of the National Luggage Dealers' Association. If it comes up to the standards set and receives approval, the manufacturer pays a fee not to exceed \$35, for which this association makes up newspaper "ads" and descriptive advertising matter, and circulates its membership. This is followed by a sales drive in every member store.

Cooperative selling may also be extended to style coordination. For example, six prominent manufacturers of the "shorts and longs" type of knit underwear have adopted the style recommendation of the merchandising division of the Associated Knit Underwear Manufacturers. This general idea could be carried much farther. It should be possible for manufacturers of men's apparel to follow fashion trends more closely through cooperation with other manufacturers, and in that way, eliminate much of the highly expensive experimentation that goes on in every concern striving to solve the fashion problem. The Style Committees of the National Association of Retail

Clothiers and Furnishers and the International Association of Clothing Designers offer a nucleus for work of this type.

Thus far, continuous cooperative selling has not been the rule. In the future, we may expect more of it, because of the competition between industries and the demands of retail buyers who possess a strong bargaining advantage. The media for cooperative selling campaigns have been expanded by the use of the radio, which will, no doubt, prove a factor making for continuous use. Finally this form of sales promotion is more effective when sponsored by a trade association. The sales promotional activities of trade associations are a large field. We will therefore consider them in Chapter 20.

Trading-Up in Men's Apparel—The actions of individual firms, groups of concerns, and trade associations betray considerable interest in what is termed "trading-up." Trading-up means giving to customers better quality and finer style, at a somewhat higher price. In other words the price appeal is absent and elements of quality and fashion are stressed. Many of the cooperative selling campaigns have had this idea in the foreground. In quantitative estimates, it is difficult to ascertain the results of any organized movement of this kind. But in individual concerns, it has become a more or less constant tendency, especially on the part of the "quality" houses. Indeed, every retailer not operating on a low, fixed price basis is interested in getting a sales volume at a good price rather than in deflating prices.

The trading-up movement in itself has some negative aspects. A fundamental principle of distribution is to line prices in harmony with the income levels appealed to. The majority of retailers in this country depend for the bulk of their business upon the lower income levels. Of course, it is feasible to suggest a trading-up with reference to the income level, and it may be claimed that the trading-up movement, when applied with the object of selling each customer the best

possible argument that the customer can afford, is economically sound. Consumer satisfaction is greater, however, and the ultimate position of the dealer stronger if the trading-up practice is limited to a particular market level. Wholesale distributors should consult together with their dealers on this point rather than indiscriminately urge a wasteful program of trading-up.

In summary, it is to be emphasized that the trading-up movement is desirable and when properly applied economically sound. But it is unfortunate that some retailers and manufacturers have not considered the possible fallacy in urging a trading-up beyond the limits of income.

Summary—Advertising becomes important to the wholesale distributor as the producing unit becomes larger and a wider market is sought. From the competitive viewpoint, it is another selling device and is therefore a part of the general selling problem. Wholesale distributors may appeal to the consumers through national advertising or they may reach the dealer through the trade journal, as an indirect result of national advertising, through dealer cooperation, or through a combination of these plans. The advertising program in a given concern is carried on by the advertising department with the assistance of other selling departments, and, in most instances, of an advertising agency. It is important that the activities of the various selling departments be coordinated. National advertising appears to be on the decline, although this may be due to a shift in media, as our indices of national advertising have thus far been the periodicals with a national circulation. In reaching the retailer, trade journal advertising is used. This form of advertising is effective, especially in supplementing the work of the sales force.

The task of selling does not end when the goods are shipped to the retailer. Wholesale distributors must help the retailer sell. This is done through dealer cooperation, which consists,

in the main, of selling helps and business service whereby the wholesale distributors assist the dealer to become a better and more efficient merchant. In the future, we may expect considerable development in this latter form of dealer cooperation.

The selling activities of wholesale distributors are not always competitive, they may be cooperative. Thus, we have many large selling events developed by groups of wholesale distributors. In the past, these cooperative selling events have been in the form of a single campaign, in the future, it is probable that they will be continuous rather than intermittent. Similar in form and object is the trading-up movement, which, from the economic standpoint, represents a reaction to the price-downward tendency which has characterized merchandising for the past few years.

CHAPTER 18

MANUFACTURER CONTROL OF RETAIL OUTLETS

In men's wear distribution, we have thus far noted that direct selling predominates, and that horizontal integration in the form of chain store development is taking place. But, despite these tendencies, the cost of marketing is still great. It is with this in mind that we consider first, manufacturer control of retail outlets (a form of vertical integration) and then costs of marketing, because, viewed objectively, manufacturer control of retail outlets represents, in part, an attempt to lower the costs of distribution. There is no necessary relation between manufacturer control of retail outlets and large-scale marketing, but, in practice, manufacturer control is often combined with large-scale marketing. For example, the Fashion Park Associates had its origin in the combination of several producing units with a strong chain store organization. In view of the fact that manufacturer control of retailing is a form of vertical integration, we shall use these terms interchangeably.

Among the trade, market integration is referred to as a form of merger, an outlet control, manufacturer's control, and manufacturer's chain, and as chain store development. Chain store development has been referred to in an earlier chapter. It has further been observed that some forms of dealer co-operation tend toward market integration.

By definition, integration in marketing means "the combination among the separate marketing stages, or any combination of marketing with manufacturing or extractive

industries"¹ Thus, retail clothing stores are combined under a single ownership, or retailers have gained control of production, or manufacturers have gained control of retailing When the combination is among units of a separate marketing process, it is referred to as a horizontal combination When the integration extends from production through the various forms of distribution, it is referred to as a vertical integration Our interest at this time centers on the vertical integration

It is the object of this chapter to discuss (1) vertical integration in the men's wear trade, (2) economic aspects of market integration, (3) advantages and disadvantages of market integration, and (4) the costs of distribution

Vertical Integration

Frequently, several producing units merge, especially as the industry reaches the large-scale stage This is important to a discussion of integration in marketing, because very often vertical integration follows a merger of producing units But our present concern is clearly with the merchandising aspect rather than the production aspect of the problem

The alleged advantages of integration, apart from those of centralized control, are the reduction of marketing costs and elimination of waste in marketing The cost of marketing is, therefore, considered in the latter part of this chapter

As a merchandising problem, integration in marketing aims at more direct selling, and, in a very literal sense, represents the attempt of the producer to get in harmony with trends in consumer demand As such, it indicates the failure of retailers rightly to interpret demand, or to act as effective distributors for the manufacturers From another viewpoint, it is a sales promotional plan, arising out of the struggle for increased sales among manufacturers Many manufacturers have their plant geared to a point at which they would like to distribute rather than to the point where they actually sell

¹L. H. Hixney, *American Economic Review* Vol. 10 pp. 528-545 quoted in Wright and Langdon *Readings in Marketing* p. 436

Market Integration in the Men's Apparel Trade—The test of integration is ownership. And although we have many border-line cases such as vendor tie up schemes or group buying, and highly developed dealer cooperation plans whereby the retailer becomes an integral part of the wholesale distributor's organization, these are not examples of integration. However, they frequently result in integration. The ownership of the retail outlet by the manufacturer may not be complete and in many instances the manufacturer merely obtains a certain percentage of financial control. This point is to be observed in our discussion of the advantages of vertical integration because on the one hand they accrue to the retailer and on the other hand they result in an improvement in retail distribution.

We do, however, have several outstanding examples of integrated marketing. Conspicuous among these are the Fashion Park Associates, Wilson Brothers, Richman Brothers, Hart Schaffner & Marx, while the hat industry as a whole has for some years been marked by vertical integration. There have been recent proposals for a vertical integration extending from the weavers through to the manufacturers of men's ready-to-wear and the retailers. It is probable, however, that integration will proceed more definitely in the clothing trade than in the furnishings trade, and that vertical integration in the clothing trade will be preceded by mergers among manufacturers of high-grade clothing with makers of medium and low-priced clothing, in other words, production to satisfy all elements of demand.

Some of these examples of vertical integration in men's clothing and furnishings are characterized by the complete dominance of the manufacturer's product, for example, Richman Brothers. In others, such as the Fashion Park Associates, the objective thus far is not to load up the associated stores with the Fashion Park products, rather, it is to let the retail unit maintain its individuality and merchandise to its best

advantage in its locality. Probably not more than 50% of Fashion Park's product will be distributed through the outlets controlled. In the hat trade, the manufacturer's product is featured, as is indicated by the term "Knox Hat Shop." The same situation prevails in the stores operated by Wilson Brothers. (They are now (1929) operating their stores under the name "Wilson Brothers," having abandoned the "Boynton Stores.")

As to meeting the different levels of demand, some of the vertical integrations attempt to produce all price ranges, for example, Hart Schaffner & Marx, and others, such as Fashion Park and Richman Brothers, appeal to one or a limited number of price ranges. In hats and furnishings, only a limited number of price ranges are produced by a given concern.

The position of vertical integration in men's wear production will be clarified by an analysis of the economic aspect of the problem and a statement of the advantages and disadvantages to the various interests involved.

Economic Aspects of Market Integration

There are a number of economic considerations which point to the development of vertical integration in the men's apparel trade. These have to do with the industrial development, problems of distribution, and certain unfair or uneconomic practices occurring in the men's apparel trade.

Industrial Development—With the widened market resulting from improved communication and the force of social development, the technique of production has increased to a point of making the large-scale production of men's wear an industrial fact. With this increase in the scale of production comes the tendency toward the integration of production with distribution. As will be shown in the next chapter, many were of the opinion that clothing production could never be conducted on a large scale.

When the power loom came into existence spinning, weaving, fulling were brought into the factory system with the consequent gain of specialization on the part of workers and centralization in manufacturing, buying, and selling. But at the same time there were definite losses—and these losses further point to the desirability of vertical integration. First, the loss of definite knowledge of the exact demand for the product. Cloth woven under a simpler form of production was made for a specific purpose—for a suit, or coat, or a particular person known to be in need of the garment. It was made to meet an exact predetermined demand.

Second, this failure to know the exact demand made it impossible for the factories to plan not only the manufacture of cloth but of ready-made garments on the most economical basis. Thus vertical integration enters in to regain this loss of knowledge of consumer demand, and at the same time, to develop a more economical production.

There has been a more or less well-defined tendency in all industries, as they reach the large-scale state, to reach out and control their distribution. Middlemen are relied upon in the developmental period, and unless the trade is one on which there are many small items of small unit value, the tendency is decidedly toward direct selling. Vertical integration may thus be the next step beyond direct selling. In this respect, many of the problems of distribution are but extensions of the production problem, and in no case is this more clear than in the vertical integration.

Satisfactory Performance of Services—If the distribution service is effectively performed by the middleman, a manufacturer will have little cause to desire control. But where the distribution services are inefficiently performed or where the interests of the producer give way to the private brands of the wholesaler or retailer then the manufacturer desires control over his distribution. Moreover, if a manu-

facturer has difficulty in securing a good distributive outlet, he may establish one himself. This means that, if the retailer cannot successfully distribute for the producer, the producer himself will assume the task. Again, the development of group buying organizations with their price demands may point toward vertical integration. It has been stated by several manufacturers that rather than satisfy unwarranted price demands, they prefer to establish their own retail stores.

Large-Scale Retailing—The trade channels for a particular commodity may point to the desirability of integration. For example, the history of retail merchandising has been marked by the growth of large-scale retailers. These retailers possess a strong bargaining advantage, and as a result, one of two things may happen. Either these retailers will reach back and control production of the producers, finding it unprofitable to sell to these retailers, will seek to control them.

Similarly, the size of the transaction and the concentration of buyers may foster vertical integration. If the unit of sale is large, vertical integration is more feasible, or if sales are small, but buyers concentrated, integration is also practical. In the men's wear trade, the unit of sale in suits and overcoats is sufficiently large to permit vertical integration. In other lines, wholesale distributors may organize retailers into buying groups and later secure financial control over these groups. In this case, the buyers are sufficiently concentrated to make integration feasible.

Selling Advertised Goods—It has been noted that advertising is an important competitive aspect of selling, and that a great deal of money is spent on advertising. Frequently the results of these advertising expenditures do not appear to warrant the expenditure. Many manufacturers, therefore, feel that, if they could control their channels of distribution, this advertising could be made more effective and, at the same time, the advertising expenditure reduced.

Specialty Goods and Vertical Integration—The marketing of specialty goods lends itself to vertical integration, because most specialty goods can be identified by features of style, fabric, quality, and workmanship. Thus, we have many brands of men's athletic underwear identified by some characteristic such as the ones mentioned above. The retailer often carries a number of competing brands, and doesn't feel the need of pushing one line of underwear as against another. What he wants to do is sell underwear, not brands. Therefore, manufacturers of specialty goods are prompted to get in and control their distribution.

In summarizing this section of our discussion, the following points are to be noted: (1) industrial developments, characterized by large-scale production and lack of active contact with consumer's market, lead to vertical integration, (2) the commodities comprising men's apparel are generally of a specialty nature, requiring considerable advertising, and are thus adaptable to vertical integration, and (3) manufacturers have become convinced, in some instances, that retailers were not effectively serving them as distributors, and they have, therefore, resorted to some form of control. In this sense, vertical integration is a survival mechanism.

Trade Practices Promote Integration—In addition to the factors of the industry, the commodity, and the marketing that make for integration, certain unfair and uneconomic practices of the trade promote vertical integration.

1 EXCESSIVE ADVERTISING As a competitive selling device, advertising is expensive. Yet, in the scramble for more volume, many producers are forced to use an excessive amount of advertising. A full-page advertisement in national publications, the extensive use of publicity, and other forms of advertising can easily, and rather quickly too, develop to the point where diminishing returns in sales cultivation set in.

The most logical device by which to overcome this uneconomical procedure is manufacturer ownership and control of outlets

2 **FAILURE OF RETAILER TO PROMOTE LINE** In the retail distribution of clothing, it is a practice among retailers to carry a nationally known high-grade line and to feature it in local advertising. For example, a certain store will advertise as the home of X suits. Upon examining activities inside the store, however, it is found that only 10% of the suit sales are in the X line, that this brand is used mainly to attract consumers into the store, once in, they are sold some other suit, one whose sale may be more profitable to the retailer, or easier to make because of price. This does happen, even in the case of exclusive agencies, and it represents a subtle form of substitution, which it is almost, if not quite, impossible to check definitely in the regular channels of distribution. Vertical integration solves the difficulty. Volume is maintained and the good effects of national advertising preserved. Closely related to the problem of substitution is the misuse by retailers of the exclusive agency plan. Of course, the manufacturer may withdraw the line, but this does not compensate him for the loss of misplaced sales energy.

3 **EXCESSIVE PRICE DEMANDS** Large-scale retailers and cooperative buying organizations frequently punctuate their success by their bargaining advantage. They go to the producer with a large order and ask for discriminating discounts and other inside prices. A producer may sell this order at a loss with the hope of getting other business, only to find that these large-scale buyers are bargaining with a number of producers, and may or may not place future business with him. Not that this is the practice of all large-scale buyers, because some of them attempt very definitely to work with the producer, and in many instances, show him how his costs may be lowered and profits increased by selling to them. But even so, there is always the possibility that the patronage will be

withdrawn, which will mean the additional cost of building up another selling organization

4 CANCELLATIONS Another incentive to manufacturer ownership and control of distribution is the practice of cancellations. Some cancellations are necessary and of them the manufacturer makes no legitimate complaint. On the other hand, there is a complete misuse of this privilege which results in a loss to the manufacturer and may result in the ultimate loss of the account. No manufacturer wants to operate under this situation. Often, rather than undergo the losses involved, he prefers to tie up his producing and selling process through integration.

5 SCATTERED BUYING Scattered buying is uneconomical in many respects, both to the manufacturer and the retailer. Scattered buying on the part of the retailers makes for irregular production and irregular production results in increase of overhead. Therefore, vertical integration not only tends to insure a market, but it reduces overhead.

6 FULL LINE FORCING Closely related to scattered buying is the matter of full line enforcement. That is, many manufacturers desire dealers who will take over their entire line, and promote its sale. This is often difficult to do, because, in furnishings, a retailer may feature the shirts of one producer, the neckwear of another, and the underwear of a third. In clothing, it is obvious that retailers feature competing lines. Viewed from the producer's standpoint, however, vertical integration offers him an opportunity for full line forcing.

7 MAINTAINING RESALE PRICES It has been observed in an earlier chapter that some manufacturers find it worth while to maintain, where possible, resale prices. They work toward price uniformity by advertising the resale price. In other cases, they suggest resale price. All of this is made ineffective when retailers engage in a wholesale price-cutting

of these lines, and, even worse, a negative impression is developed by virtue of the fact that consumers are thus prone to classify the selling business as a two or three price business.

Such are the economic aspects of a market integration, and it is apparent that certain positive and negative features attend this development. Recalling that we live in an era of competition, we will examine these advantages and disadvantages from the viewpoint of makers and sellers. The consumer, of course, is in a position to gain if these advantages are passed on to him in the form of lower prices or a better product at the same price. Consumers also gain when production is regularized, because this means that the economic mechanism is more perfectly adjusted, and that the flow of purchasing power is more regularly disbursed.

Advantages and Disadvantages of Market Integration

Discussion somewhat overlaps here, because many of the advantages and disadvantages must necessarily be restatements of some of the economic aspects of market integration. In other words, the problems of market integration, stated in a positive sense, comprise a portion of the advantages of market integration.

It is difficult to separate the purely market advantages of vertical integration from those accruing to the productive side. However, we may group the advantages of vertical integration under three general headings: (1) advantages to the manufacturer, (2) advantages to the retailer, and (3) advantages accruing to both.

Advantages to the Manufacturer—REDUCTION OF MARKETING EXPENSES. Many of the competitive costs of selling are eliminated, losses resulting from credits and collections are minimized, and the technique of accounting and salesmanship is improved, with the net effect of reducing general marketing expenses. In this connection, where the inte-

gration proceeds from the producer to the distributor, it means that the former is assured of a market, and, of course, the latter is assured of supply. Similarly, when the integration proceeds from retailers to producers, it means that retailers are assured of a supply.

SECURES KNOWLEDGE OF CONSUMER DEMAND Vertical integration, extending as it does, from production to consumption makes for a better adjustment between supply and demand because demand can be more effectively studied and the producer by studying the daily consumption records, can gear his production according to demand. Thus vertical integration keeps the industry on a continuous direct contact with demand. In many respects, this is the greatest single advantage of vertical integration.

REDUCES OVERHEAD Vertical integration makes it possible to improve these opportunities through its assurance of a

TABLE 24. SALES AND EARNINGS OF TEN MANUFACTURING RETAILERS OF MEN'S CLOTHING COMPARED WITH THOSE OF TEN MANUFACTURERS OF MEN'S CLOTHING SELLING THROUGH GENERAL RETAIL TRADE

(A) Ten Manufacturers of Clothing Affiliated with Retail Stores*			(B) Ten Manufacturers of Clothing Selling the General Retail Trade†			
	Total Number of Stores	Total Net Worth	Total In- crease in Net Worth	Total Sales	Return on Sales	Return on Net Worth
Ten Clothiers with Re- tail (A) Stores	171	\$23,621,109	\$5,015,358	\$64,250,839	7.80%	21.23%
Ten Clothiers (B) Sell- ing General Retail Trade		23,873,800	1,067,927	52,432,934	3.75	8.24%
Margin in Favor of Clothiers with Affil- iated Stores			\$3,047,431	\$11,817,905	4.05%	12.99%

*Edward Tanning Co., Inc., The Hilton Co., Inc., Richman Bros. Co., Inc., Superior Woolen Co., P. & Q. Shops, Browning King & Co., Carter Clothing Corp., A. Nash Co., Inc., United States Woolen Co., Inc., and Forman & Clark, Inc.

†Salon Tailoring Co., David Adler & Co., L. Grief & Bro., Inc., Louisville Clothing Co., Wm. P. Goldman & Bros., A. B. Kirschbaum Co., Chas. Whitcup & Sons, Alfred Decker & Co., Inc., Shirek & Hirsch, and Fashion Park, Inc.

‡ Statistics compiled by Wool Institute and published in *National Retail Clothier*, June 7, 1928.

market, of regularized production, and the reduction of certain marketing expenses, all of which point to a reduction in overhead. Furthermore, the buying position of the producer in the raw materials market is strengthened, while certain economies result from the purchase of supplies in a larger quantity.

Because of the seasonal nature of the clothing trade, and the style factor, there are many opportunities to reduce overhead.

GREATER PROFIT OPPORTUNITY Although the data are meager, it appears that manufacturers who are integrated with retailers enjoy a greater financial return than those who sell to the general retail trade. Even recognizing that there may be some discrepancy in accounting method and in the method of collecting data, we can still see, from the figures in Table 24, that manufacturers integrated with retailers have the margin of advantage.

Advantages to the Retailer—It has been noted that vertical integration may manifest itself in complete ownership of the retail establishment or part ownership. In the latter case, the retailer continues to operate in his community in much the same fashion as before the integration. In the former case, he may be retained as executive in charge of the business. The advantages given below therefore apply, in one instance, to the retailer and in another, to retail distribution as improved by vertical integration.

IMPROVED RETAILING Through collaboration with the producer, the retailer's personal business ability is improved, new merchandising methods are effectively introduced, and the retailer gets the benefit of the wide knowledge of market facts gleaned by the manufacturer. Moreover, when vertical integration proceeds from the whole to the part, only the strongest retail concerns are considered for outlets. The advantage is twofold, the manufacturer gets a more effective distribution, and, at the same time, the retailer is affiliated with a strong

merchandising organization, from which he secures prompt, efficient service, as well as merchandise at lower prices. Also, because of the manufacturer's improved knowledge of consumer demand, he can supply the retailer with models that meet the particular local requirements. The retailer is thus enabled to maintain adequate stocks on a lower investment.

Advantages to Both —ELIMINATES UNECONOMIC TRADE PRACTICES Perhaps the greatest joint advantage is the elimination of many of the uneconomic trade practices, such as misuse of the exclusive agency plan, substitution, cancellations, etc.

RESEARCH OPPORTUNITY Vertical integration offers a research opportunity that includes both production and distribution. This research opportunity, indeed, those entering into vertical combines claim to be their greatest resultant advantage. Vertical integration, by furnishing data for daily consumption records, permits of an analysis of demand that is not enjoyed under normal competitive conditions. Bridging, thus, the gulf between them, it enables the producer to concentrate with more surety upon the problems of the retailer and to render more effective service in the form of merchandise knowledge. Relieved also of at least some of the strain of the competitive search for an adequate market, producers can command more time for the problems at the source, the problems of production, which include among others, the unceasing improvement of quality and workmanship.

RAISES LEVEL OF INDUSTRY One more advantage of vertical integration, indirect but clearly related, comes from the fact that vertical integration tends to eliminate the weaker producers and distributors, and thus to raise the level of the industry.

Disadvantages to Producer —INCREASED ADMINISTRATIVE EXPENSES Many of the economies of centralized control

are lost in increased administrative expense, arising out of the need for more detailed supervision and, in some instances, a need for the establishment of branch houses

PRODUCTION NOT ADJUSTED TO VERTICAL INTEGRATION

There are only a few manufacturers who can supply an entire range of prices, fabrics, and styles. Many items, therefore, that the retail outlets must carry, must be secured from competing manufacturers. In the opinion of many, this is going to prove a serious handicap, because the retailer in order to maintain himself locally may find it necessary to promote the sale of competing lines in much the same fashion that he does now. What, then, shall the producer do? Is he to be forced to merge with other manufacturers producing the necessary complementary lines? All this involves a problem of promotion which is not to be readily solved.

A vertical integration, from its very nature, can be applied to only one field of activity. For example, in clothing, the affiliated stores must purchase their furnishings and similar items from other resources. This at once exposes the integration to the play of additional market factors, and thus tends to weaken its competitive position.

THE MANUFACTURER AS A RETAILER After all, can the manufacturer run a retail store any better or cheaper than the retailer? How much authority is to be given to the affiliated retailer, and how much to the manufacturer? These questions are not easily answered, and may point to a clumsiness in management that will precipitate the failure of the integration.

OVER-STANDARDIZATION Vertical integration makes for a standardization of production and policy which may result in the loss of certain markets. When all is said and done, the men's apparel trade is marked by an individuality that is not characteristic of other trades. Personal service is important, and the difficulties that are already attending the standardized

chain store type of operation are beginning to appear on the horizon of vertical integration

OPPOSITION OF NON-AFFILIATED RETAILERS When the vertical alliance sets out to secure the strongest retail stores, it may at once incur the opposition of other reasonably profitable accounts. It is an invidious task. In concentrating through its own selected outlets, it faces the problem of either absorbing the remaining, presumably weaker outlets, or of losing their business entirely. In other words, how is the combine to pacify the non-affiliated dealers, who probably suppose that affiliation would increase their profits? And there still remain those strong dealers who refuse to enter the combine at all. What method shall be employed wherewith to handle them?

THE INCREASED-PROFIT MYTH If we may rely upon figures from integration in other lines, we are led to the conclusion that the profits of the component parts have frequently been diminished after combination. Integration frequently calls for promotional activities and financing by investment bankers. The cost of these procedures may outweigh the subsequent profits. Likewise, in instances where strong retail outlets have been secured, a considerable sum has been paid for goodwill, and frequently long-term contracts with the present owners have been entered into, which are out of proportion to their services. Then, there are the costs of establishing new outlets, breaking down sales resistance, and developing new buying habits, all expense items that must be reckoned with, in considering profit possibilities in the integrated market.

Disadvantages to the Retailer—**WHAT DOES THE RETAILER LOSE?** Very often he becomes but a part of the large organization, and is demoted from the role of enterpriser to that of salaried manager. Yet frequently the patronage of his store has been built around his own personal activities. With the curtailment of this activity, and the necessity of proceeding along standardized lines, his trading position in the

community loses significance. Finally, if he has a good business, why should he sell out? Local differences in consumption are fairly wide, and for him to become a part of a large organization may result in a loss of patronage and profit to himself. There is a certain paradox of size that every retailer must consider before he enters into a vertical alliance, namely, retail profits may be greater under the small single enterprise than within a large vertical combine. There is no necessary relationship between size and profits.

Disadvantages to Both Manufacturer and Retailer —

SOCIAL OPPOSITION The history of relations between business and government has been marked by an ever-increasing tendency for government to limit the activities of big business, especially when it results from some form of combination. Cooperative buying, the chain store, production mergers, and other examples of integration are more or less under social control and subject to public criticism. At any time, they may be limited in their activities. Even though the policy of government might be in harmony with lowering distribution cost, we have no assurance that social control would refrain from exercising its supervision over vertical integration.

One of the fundamental advantages of vertical integration is the lowering of marketing costs. Our interest, thus far, has centered on the individual aspects of the problem, such as lower marketing costs resulting from integration, or the individual problem of reducing expenses so as to gain the subsequent lowering of marketing costs. It is worth while to consider the more general aspects of distribution costs so that the individual distributor may visualize his relation to this problem.

Cost of Distribution

The cost of distribution may be approached from several viewpoints.

1. The expenses of distribution of manufacturer, wholesaler, and retailer comprise that portion of the consumer's

dollar going to distribution cost. This particular approach may include a measurement of distribution cost by means of a comparison of the amounts received by producers with the amounts paid by consumers, and assuming that the difference roughly represents the cost of distribution. On the other hand, one might consider the margins received by the different agencies in the chain of distribution, and assume that the total of these margins represents the cost of distribution. Neither of these methods is strictly accurate, but the second method is probably to be favored over the first.

2 Another approach to the problem of distribution cost is found in the social criticism of the efficiency of the distributive process. Both of these approaches assume a social rather than an individual point of view.

The problem of the cost of distribution is, in the last analysis, nothing but an extension of the production problem. Production in this country has been marked by a labor-saving technical advance, which, within certain limits, makes for decreasing production cost. The desire to secure the economies inherent in large-scale operation is a most powerful factor in forcing what might be called mass distribution.

Many are inclined to point to the large number engaged in distribution as compared with the number engaged in production as an earmark of a costly distribution, but efficient production. Such is certainly not the case. The field of production has been continuously marked by automatic and labor-saving devices. The field of distribution has been necessarily marked by an increase in the number of agencies and individuals designed to cultivate the market. The application of scientific method to marketing is of only recent importance, and the growing interest in market research points to the coming application of more scientific methods in distribution. Further, the production of today is for a market. Such production introduces elements of risk and uncertainty, and these have been instrumental in developing marketing specialists.

There are other factors which contribute to what appears to be a rather high cost of distribution. The shift from a seller's market to a consumer's market brought with it the necessity of competitive demand manipulation. The very nature of our competition makes it possible for many to engage in business. Consequently there is a considerable duplication of both production and distribution services. Another important element in distribution costs is found in the very nature of consumer demand. A rising standard of living, indicative of a wide diffusion of wealth, has created a demand for more services. The modern retail store is an institution dispensing many services, credit, delivery, etc., etc. The growing interest in fashion has increased the cost of distribution. Retailers must be constantly on the alert to have articles in stock which conform to the style dictates of the day. Markdowns due to style depreciation are one of the outstanding costs of retailing.

Similar in effect is the tendency of retailers to purchase on a basis of controlled or "hand-to-mouth" buying. The causes and effects of this tendency are cumulative. Consumers, observant of the post-war price changes, became more careful in their purchasing. The retailers, caught with the higher-priced stocks on hand, were forced to take markdowns in order to liquidate their inventories. This state of affairs, among other factors, prompted the retailer to restrict his buying, and to shift a good part of this risk to the wholesale distributor. The cumulative result was, of course, to increase the cost of distribution.

Some independent studies have been made by trade associations, universities, and the government.³

³The studies referred to are (1) clothing survey made by the Northwestern University Bureau of Business Research with the cooperation of the National Association of Retail Clothiers and Furnishers (2) the Joint Commission of Agricultural Inquiry (a Congressional committee) has made available considerable information on distribution cost (3) the University of Colorado Bureau of Business Research has issued several bulletins with reference to operating expenses in retail clothing stores.

It has been difficult to secure any definite figures on the cost of jobbing nor is there much to indicate that the elimination of the jobber in the lines where he is useful would lessen the cost of distribution. There are however fairly representative estimates of manufacturers and retailers' expenses which indicate distribution cost in men's apparel trade.

Cost of Distributing Certain Items of Men's Apparel —

The joint commission of agricultural inquiry was able to secure information relative to this subject.⁴ A study of the marketing of men's suits showed that a typical manufacturer pays 28.2% of the retail price of the suit for raw materials. It costs him 23.3% to manufacture the product, and 15.1% of the total goes for his selling and other overhead costs. The retailer's operating expenses take 30.6% of the selling price. The profit of the manufacturer is 1.5%, and that of the retailer is only 1.3% of the selling price.

In the hosiery business, the cost to the manufacturer of selling to the retailer varied from 1% to 29% of the manufacturer's selling price, with an average of 8.31%. For knit underwear, it was 2% to 25%, averaging 6.87%. For shirts and collars 2% to 18%, averaging 5.88%. To such costs must be added the cost of retailing, which can be roughly set at 25% or more of the final price paid by the consumer. In considering distributing cost for certain commodities, this retail cost is really a joint cost that cannot be readily differentiated for specific products handled in particular retail stores. Efforts to allocate cost by items or departments are usually dictated by the volume of business.

The second aspect of distribution costs is found in the broad social consideration generally referred to as the efficiency of distribution. This sort of analysis is not so concerned with the individual operations as it is with the wastes of our competitive system, and their influence on distribution costs. The social cost of business failure is a case in point.

Efficiency in Distribution —The test of an efficient distribution is found in the extent to which consumer demand is economically served. In the case of men's apparel, this appears paradoxical, due to the existence of the style factor in the manufacture and distribution of clothing.

⁴ Report of Joint Commission of Agricultural Inquiry: Marketing and Distribution, Part IV, p. 221.

Furthermore, what may appear to be an inefficient and wasteful distribution, is due in part to the wastes of our competitive system. Some of these competitive wastes may be classified as (1) Excessive costs—the difficulty of distributing products which cannot be graded in such a way that unskilled or busy buyers can readily determine their worth, makes necessary and possible enormous sales expenses on the part of vendors. This process is extremely expensive, while the ultimate consumer has no definite way of determining values of the competing concerns. (2) Excessive stocks—another source of waste is the excessive amount of capital tied up, both by manufacturer and retailer, in duplicate stock. The retailer is frequently forced to carry competing brands in order to satisfy the variations in customer demand. (3) Because of the difficulty of determining quality, competition and quality are not correlative terms. In apparel distribution, excessive competition in the form of price-cutting invariably results in an adulteration of the product. (4) A final waste of the competitive system is the frequent failure of demand and supply to balance properly. This results in either a condition of over-production or a decline in demand for products at a price which covers the cost of their production.

Competition in the clothing business is intensified by the comparative ease of going into business. This applies to both the production and distribution aspects of the problem. The competitive wastes of the manufacturers' distribution policy are but a reflection of his production situation. Over-capacity and over-production are normal states resulting in failure to coordinate demand with supply. Likewise, the growing interest in costs urges the producer to speed up his volume production in order, thereby, to cut his overhead. The natural sequence is a wasteful distribution policy. In the face of competition, the tendency is to exert greater effort to force goods out through channels of distribution, making greater expenditures and devising new methods to compel the distribution of

merchandise in competition with similar effort on the part of other manufacturers. The lure of volume, with its increased selling cost, leads many producers to enter a market already supplied.

Another factor tending to mar the efficiency of the distributive scheme is the competition between wholesale distributors in granting easy credit. With manufacturers over-producing, their salesmen over-selling, retailers over-buying, and credit departments lax in granting credit, it is no wonder that our distributive machinery frequently becomes clogged and congested.

The inefficiency in distribution is often attributed to middlemen. However, merchandise cannot distribute itself and, although individuals may be eliminated, their functions must be performed. Many persons assume that, if a manufacturer markets his product direct, the functions of the middleman are eliminated. Such reasoning is obviously fallacious.

A final consideration in the efficiency of distribution hinges around retailing. The retail clothier and furnisher is confronted with the problem of style, of taking care of alterations, and of increasing his sales force during periods of peak demand. These, plus the unfavorable aspects of retail competition, make the retailer a costly agency.

The principal elements in inefficient retailing are (1) merchandising methods, and (2) the number of retailers trying to make a profit on small volume. That is, the small retailer doing a business of under \$40,000 per year is unable to carry a wide enough stock to enable him efficiently to serve the demands of his community and at the same time operate at a profit. Lax merchandising methods, over-buying, lack of an organized merchandise control system, poorly trained sales force, hit or miss selling policy, inability to diagnose community demand, these and other points contribute to the deficiencies of the retail clothier and furnisher.

Summary—In the distribution of certain products, including men's apparel, vertical integration appears as the industry reaches the large-scale stage. The aims of vertical integration are increased sales volume, lowered costs, and more direct contacts. There are many factors making for this form of direct distribution—the industrial factor just mentioned, and certain other factors related to the nature of the product, the merchandising problems, and certain uneconomic trade practices.

Vertical integration has not as yet reached the stage in the distribution of men's apparel where its advantages may be stated in other than general terms. Perhaps its chief advantage, and one from which others will develop, is the fact that, under vertical integration a knowledge of consumer demand is more accurately obtained, with the result that the merchandising system can function so as to coordinate production more accurately with consumption.

There are, of course, difficulties in vertical integration, ranging from problems in production and distribution to social opposition. However, the men's wear trade may look for a continuation of vertical integration. In many cases, it will be preceded by mergers of producing units, and these mergers may extend to the sources of raw materials.

The costs of distribution may be lowered by means of vertical integration together with improvement in the system of distribution. This phase of merchandising has been considered in the present chapter. Its discussion brings together all the problems of merchandising and points to a reduction in distribution costs through the one comprehensive remedy, namely, the improvement of the various agencies of marketing. The individual agent must learn to consider himself as a part of the general system, whose chief duty is to work toward a more effective distribution at a lowered cost.

PART IV

ECONOMIC AND INDUSTRIAL DEVELOP MENT OF THE MEN'S WEAR INDUSTRY

CHAPTER 19

COMMERCIAL AND INDUSTRIAL DEVELOPMENT OF THE MEN'S WEAR INDUSTRY

Satisfaction of consumer demand, of which consumption is the measure, requires the services of a large producing organization. But always, between consumption and production, there lies a wide gap. To bridge the gap, there developed, as has been shown in the foregoing chapters, the merchandising organization whose function it is to coordinate production and consumption. Moreover, many problems of merchandising are but an extension of production problems, so that no discussion of merchandising can be complete without some treatment of production. This chapter, therefore, discusses (1) the development of the men's clothing industry, (2) the organization and development of clothing production, (3) the development of the furnishing and hat industries, (4) production problems, and (5) inter-market competition—national and international. Attention is devoted chiefly to clothing, because the other items of men's wear have followed a similar development. The history of dress, which, in itself, gives some picture of the history of production, has been presented in Chapter 3. Likewise, in the history of the shift from an indirect to a more direct distribution, there was suggestion of certain developments in production.

Development of Men's Clothing Industry

The development of the men's clothing industry is, in its pioneer stages, a part of the development of dress. From anthropological records it is found that the earliest motive in

providing a covering for the body seems to have been a desire for ornamentation rather than protection. Dress came as a successor to the crude forms of personal adornment.

Clay skins and vegetable fibres constituted the earliest materials of clothing. In the book of Exodus we read a description of events which are supposed to have taken place about 1500 B C, in which it is stated, "All women that were wise-hearted did spin with their hands linen and goat's hair." In the same account we find reference to the weaver. Finely woven linen fabrics of high quality are found in the oldest tombs of ancient Egypt. In China, silk materials were used as early as 2000 B C.

Besides cotton, linen, and silk, it was found in far distant ages that hair from the wolf's and sheep's back twisted into strands or threads and woven into a fabric surpassed all other materials for general use in clothing.

When William the Conqueror invaded England in 1066 he found the Angles and the Saxons spinning and weaving the wool from their flocks with considerable skill. The industry received great impetus during the reign of Henry I through his importing from Flanders a number of skilled weavers. Queen Elizabeth, in her day, brought more Flemish weavers to England. Thus was laid the foundation of one of Great Britain's great industries.

This industry of raising and manufacturing wool has probably contributed more proper names to English-speaking people than any other. For example, we have Shepherd, Shearman (shearman), Woolsley, Spinner, Weaver, Webb, Webster, Fuller (shrinker), Bates (beats or bats fabric while it is being shrunk), and Walker (the man who treads out the wool with his feet).

Textile-making was revolutionized by the inventions of the so-called Industrial Revolution and began to take the form seen today in the spinning, knitting, and weaving industries of England and our own New England.

Origin of Ready-to-Wear —In England, and in European countries in general, the tailoring trade has been taught and handed down from generation to generation. Even in our own clothing centers today, the most skilled workmen are those who were taught by their parents. An apprentice system has developed in fact even under an industrial economy such as ours, but its un-American nature, coupled with restricted immigration, is bound to bring about its gradual lessening and perhaps eventual disappearance.

The tailor of early days made all kinds of garments—coats, trousers, vests, overcoats, and attended as well to the shrinking and cutting processes. The tailor trade was a markedly seasonal one—a brief, hectic rushed period and a long, slack season. In recent years, much thought has been given to overcoming seasonal fluctuation in more than one trade, and the leaders in the clothing field have shown an intelligent ability in vastly improving the situation. But the beginning was unpremeditated. One or two of the master tailors began to keep workers on to make up the remnants of cloth on hand into garments, each loose, baggy, shapeless garment being made to fit as wide a range of figures as possible. Expert journeyman tailors with pride in their craftsmanship refused to work on garments so lacking in quality both of style and workmanship. For the dull-season worker received a smaller rate of pay, therefore tried to produce as much quantity as possible. These garments could not, of course, be offered to the customer for the made-to-order suit, so a special market had to be sought. Undoubtedly, it is from this out-of-season production that the ready-to-wear business started. Later, certain employers specialized in this type of garment-making, and they became the early manufacturers of ready-to-wear clothing.

Ready-to-wear clothing was put upon the market because it was cheaply made and could be sold at a smaller price. Regular tailors protected themselves by stressing the quality of

their products. The two branches of the trade, early in the history of the industry, became entirely distinct, one making a price appeal, and the other a quality appeal.

Historical Outline of Men's Clothing Industry in the United States—During colonial days men's clothing was made in the home and by traveling tailors. There were a few tailors in the larger cities, and many garments were imported from Europe. London was the fashion center for men's clothing but after the Revolutionary War Americans turned from London to Paris. In the early nineteenth century Hamilton, in his report on manufactures, observed that about four-fifths of the garments were still made in the home. Nevertheless, the itinerant tailor was still an important factor.

A third period of development of the men's clothing industry in the United States is marked by the beginnings of ready-to-wear clothing and dates from 1830 to 1860. The first ready-to-wear garments in the United States were made about the year 1830 and were intended for sailors on whaling ships. The seat of production was New Bedford, Massachusetts. The well-known concern of Brooks Brothers was established about 1840, and began business by handling apparel for sailors. Ready-to-wear was also made for slaves and Baltimore, Cincinnati, St. Louis, New Orleans, and Memphis developed a ready-made clothing business in the 40's specializing in clothing for slaves on southern plantations. The next important demand for ready-made clothing came with the gold rush of '49. The Browning, King Company outfitted thousands of men for that journey. This pioneer period, with its large and increasing number of unattached laboring men with no source of home-made clothing, gave tremendous impetus to the ready-to-wear industry. By 1860, the sewing machine, which had been invented in 1846, had been widely adopted by the clothing business. Second-hand stores developed that later distributed factory-made clothing. To the demands of the

slave trade, the sailor trade, and the working men for ready-made clothing was added the demand of the soldiers of the Mexican War.

The opening of the Civil War was marked by a falling off in demand for slave clothing, and many bankruptcies occurred in the ready-to-wear industry. But, within a short time, there arose an extensive demand for army uniforms, so that, on the whole, the Civil War provided a decided impetus to the development of the ready-to-wear clothing business. Most of the Civil War Veterans were young men and their experience with the ready-made uniform prompted a favorable reaction to ready-made civilian clothes. As a result, in the years from 1866 to 1870 following the war, instead of going back to home-made clothing these men demanded ready-to-wear, with, of course, a most stimulating effect upon the industry.

Not only have wars played an important part in the development of the men's clothing trade, but years of business depression have likewise been favorable to the development of the men's ready-made clothing industry. During such years consumer purchasing power is at a low ebb and men formerly able to purchase tailor-made clothing are forced to use ready-made clothing. Such was the influence of the panic of 1873. It is interesting to note that many continued to have the coat tailor-made but to purchase ready-made trousers. The business depressions of 1893 and 1917 also furnished stimulus to the industry. The year 1893 marked the beginning of such concerns as Hart Schaffner & Marx, Hirsch-Wickwire, and others.

The so-called tailors to the trade have played an interesting part in the "coming of age" of men's clothing production. These tailors at first made sizes not carried by regular manufacturers. Later they sold through the retailer by means of sample books from which customers made selections, the retailer taking the measure, and the tailors-to-trade producing the garment. During the 90's these tailors-to-trade drove out of business many regular tailors and clothing wholesalers.

The period of 1900-1920 saw centralization of the manufacturing process and the erection of many splendid clothing factories. This centralization is referred to as the "inside factory system," as distinguished from the contract system previously referred to. In general terms, it might be said that, before 1900 all men's clothing was made by unnamed manufacturers. Since 1900, however, national advertising and clothing that bears the manufacturer's name have become the rule rather than the exception. (Table 40, Appendix C, "Growth of the Men's Clothing Industry in the United States, 1849-1925," gives a fairly good idea of the growth of the men's clothing industry.)

It is these two factors, perhaps, national advertising and branded merchandise, that have been the aggressive, determining influences toward the development of the large-scale production which the last two decades particularly have witnessed. Adverse factors, however, have not been wanting. Several may be named: (1) the comparative ease of going into business, (2) the prevalence of the contract system, and (3) the influence of the craft idea or hand-work in the production of men's clothing. This latter point in particular has led many manufacturers to believe that the production of clothing was destined to be a comparatively small-scale industry. It is also sometimes held that the style element retards the technical advance of clothing production. Yet other industries equally affected by style and using large-scale methods have forged ahead.

The Organization and Development of Clothing Production

With the exception of headwear, practically all divisions of men's apparel possess the same production characteristics. In the organization of this production, the manufacture of men's apparel presents an unique picture of the old and the new working side by side to make up a great industry handi-

craft, on the one hand and large-scale operation, on the other. Contractors in many centers, not unlike the old domestic system, let out work to craftsmen in their homes, whereas in other cases the work is all completed in a single factory. This two-sided picture of an industry of large and small-scale plants—machine work and hand-work, contract work and inside factories—is a natural result of two factors, handicraft and the ease of going into business. It is logical, too, that the large “inside factories” should engage heavily in national advertising, whereas the small plants utilize scarcely any advertising. These two main types of production of men’s clothing, (1) “inside factories” and (2) “contract shops,” we will consider in detail.

Men’s Clothing—The term “men’s clothing,” it might be explained, is used in a restrictive sense to describe that important portion of the men’s wear industry which is devoted to the manufacture of men’s and boys’ suits and overcoats.

Inside factories are the typical large-scale factories centralizing all the operations in the making of men’s clothing in a single building or group of buildings. All the productive processes are under one management and no part of the work is “farmed out.” Such organizations as Hickey-Freeman, B. Kuppenheimer, and similar concerns are typical “inside factories.” The establishments in Chicago, Rochester, Baltimore, Cleveland, and St. Louis are in the main “inside factories,” little or no work being let out to contractors. In New York “contract” production predominates.

The contract shop, or outside shop, in point of time is the oldest form of production in the making of clothes since the development of the ready-to-wear industry. The great majority of producers of this type, the so-called manufacturers of the 70’s, do not engage in manufacturing at all. They finance the buying of cloth, have it cut in their own shop to their own standard pattern, and then turn the actual tailoring

of the garments to contractors who bid against each other for each contract. Such "manufacturers" have practically no control over methods of production, quality of workmanship, or working conditions in the contract shops. The garments turned out in the early days were so totally lacking in style, quality, and tailoring that they became known as "hand-me-downs." Indeed, until very recently this term was still applied to ready-made clothing. Clothes in this early period were first made, then sold. Traveling men took with them sample garments that were made up not only in each model, but in each pattern of cloth.

As organized on this basis, the capital requirement of a garment "manufacturer" is small, and many engage in the business, much to the distortion of a balanced production on the part of the major producers. Also, there is apt to result a certain disruption of labor. A contractor secures an order by quoting a lower price than his competitor, works his help at top speed until the contract is completed, then workers are laid off until the rush work of another contract is begun. Despite its undesirable features, the contract system, as has been stated, predominates in New York City, a center producing about 41% of all the men's clothing made in this country in 1923.

This production situation brings out an interesting merchandising problem, namely, the competitive selling efforts of the large "inside factories" and the price competition of the producer or "manufacturer" by the contract system. For these "manufacturers" are essentially salesmen—merchants, their main business is to sell clothing.

The technical advance of the industry has proceeded along two main lines. First, the preservation and improvement of those processes where hand-work makes for quality and a superior product, with, at the same time, a development of machine technique to the point where the scale of operation can become fairly large, in other words, a perfection of the

division of labor between handicraft and machine technique. The concerns generally referred to as quality producers work along these lines, featuring in their sales appeal to retail distributors and consumers, both their hand and machine work. The term "customize" has in part come to signify this development.

The second line of technical advance has to do with a recent development in connection with machine-made garments. These lower-priced garments, it is to be remembered, are turned out in quantity upon the contract basis, but, unlike the former "hand-me-downs," these machine-made garments of today have a good appearance, many customers, in fact, are unable to detect any differences from the higher priced, quality garments. Therefore, it has come about that where machine operation is more or less fully employed, the producers are showing a tendency to own their distributive outlets.

Men's clothing is produced on three scales—large, medium, and small. New York tends to be essentially a small-scale production center, and of course the great number of tailors found in most cities of any size are producers on a small scale. Some advantages of a medium scale of operation are the possibilities for (1) specialization in manufacture, (2) use of hand labor methods, and (3) emphasis upon the style element.

Geographical distribution of clothing production is largely a record of the breaking up of the East as a center of production and a gradual filtering out to newer sections of the country. The East still leads in quantity produced, but the industry now extends from New York to the Pacific Coast. Proximity to raw materials is perhaps the most important factor in this expansion, and it is reasonable to assume that the West Coast may develop an industry sufficient to satisfy the major requirements of that section. Already, the manufacturer of men's furnishings is especially well-developed on the Coast.

At the outset, the reasons for this eastern localization of industry were (1) the racial element, (2) nearness to materials, (3) proximity to markets, (4) nearness to water power, (5) a favorable climate, (6) supply of labor, (7) available capital, and (8) the momentum of an early start. The racial element was perhaps unique. Employer and employee both were recruited from the stream of immigration coming into New York and vicinity, and both were largely Jewish.

Classification of Production Centers—Production centers may be classified on the basis of (1) quality, although any classification as to quality of product cannot be considered rigid, and (2) volume of output. In practically every center, high-grade houses operate alongside of low-grade concerns, and contractors. It is possible, however, to suggest a quality division on what appears to be the dominating characteristic of the producing center. On quality, Rochester unquestionably comes first, followed closely by Chicago. Baltimore, manufacturing a good, medium-grade product, ranks third in this first grouping. Following Baltimore, on the basis of the quality of the markets, come Philadelphia, Cleveland, and St. Louis. Yet there are in Philadelphia a few concerns that make a finer grade of clothing than the Baltimore product, and one concern that turns out an essentially quality product. New York, as a quality market, ranks below Philadelphia in a general way, but New York is so large and has so many different grades of manufacturing, that it practically embraces all products from the very best to the cheapest. New York is the great center for the production of boys' clothing. Other clothing production centers are less well-defined as to quality, but, in the main, belong at the lower end of the scale.

On the volume of business, the classification of production centers is as follows: New York, Chicago, Philadelphia, Baltimore, Cleveland, Rochester, Cincinnati, St. Louis and Boston.¹

¹ Estimate of United States Census of Manufacturers, Wearing Apparel, 1925

The accompanying chart gives the comparative rank of these centers. The minor production centers include Los Angeles, Kansas City, Indianapolis, Oakland, Minneapolis, Utica, and Newark. (See also Appendix C, Table 41.)

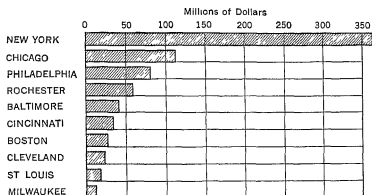


Figure 8 Value of Men's Clothing Manufactured in the Ten Leading Cities, 1927

Combination Movement—Because of the comparative ease of going into the business, the numerical majority of clothing concerns are owned by individual enterprisers, partnerships, and small, practically closed, corporations. The better-known concerns are well established, and not given to the more or less constant shifting of ownership, with an attending variation in production, that so marks the ownership of the "low end" concerns of the industry.

In recent years, there has been some tendency toward the merger of producing units. This may be the precursor of vertical integration, although not necessarily so. The following reasons may be offered for these mergers:

- 1 The desire of a financially strong concern possessing a limited market to merge with a financially weak concern possessing a wide market.
- 2 A combination effected to meet the changing retail situation. The development of chain stores, and cooperative

activity on the part of retailers are forcing manufacturers to merge. Also the latter, as independents cannot compete with the chains on the small margins allowed them. Such mergers, it is claimed, will reduce cost and give manufacturers a clear margin of profit.

- 3 Desire to reduce overhead and minimize the tendency toward overproduction
- 4 Desire to improve buying position in the raw materials market, and selling position in retail market
- 5 Desire to improve financial position of concern

Indicative of this combination tendency is the increasing number of group buying manufacturers.

Cooperative Buying Activities of Manufacturers and Wholesalers—Recent developments point to an adoption of cooperative buying on the part of manufacturers and wholesalers in the men's apparel trade. At different times, experiments have been tried in the cooperative buying of certain standard raw materials and office supplies. These experiments seem to have been less successful during extremely prosperous periods. They were of a loose organization and generally held together by a common agreement. The present developments in the field indicate a more highly organized program suggestive of permanence.

One of the most extensive group-buying schemes is the Sapiro-Turell Plan, under which the newly formed Manufacturers' Service Corporation of America will engage in group buying of textiles for the men's clothing industries. Besides the purchase of textiles, the group will buy silks, canvas, buttons, and all other trimmings. The plan referred to is a combination of Aaron Sapiro's cooperative marketing principles with the practice of contract-converting as developed during the past two years by Nathan Turell. This plan contemplates the establishment of subsidiary companies of the Manufacturers' Service Corporation of America in each of the leading clothing markets, these subsidiaries to be owned and

directed by the garment manufacturers. Through this method of organization, the grouping of orders can be carried forward in two ways, first by the pooling of the orders of individual manufacturers in each of the markets, secondly, by superpooling of the combined orders of all the markets.

Very definite economies should follow from a plan of this type. Manufacturers should save substantial sums on their purchases, and the mills themselves should profit from the method of selling resulting from this plan. The standardization of lining fabrics as a result of cooperative effort should, in itself, introduce marked savings. This particular group is not far enough along at the present time to comment as to further advantages, but it must not be inferred that the mere act of cooperation solves business difficulties. Indeed, cooperation itself brings into play a new set of problems which are often more serious than the problems of the separate concerns.

Another group buying organization is the Neckwear Research Organization. One of the chief purposes of this group is to buy collectively and sell individually. It is estimated that the purchasing power of this group in the foreign and domestic silk market is above the five million dollar mark. This association contemplates, in addition, an extensive research program.

Organized efforts toward cooperative buying activities of wholesale distributors are comparatively new and untested. And, as is the case with retail cooperative buying, they may be viewed as an important tendency rather than as a mature development.

The Development of the Furnishings and Hat Industry

It is difficult to present in an organized fashion, because of the variety of items to be considered, the industrial developments in the production of furnishings or haberdashery. The problem is further complicated by the fact that many of these

items are made in factories whose chief product is often something other than the item that we discuss

Collar Making—Separate collars from men's shirts are said to have been first made about 1825 by the wife of a blacksmith in Troy. They soon found a market, and, by 1840, several factories were in operation. The sewing machine was introduced into the collar industry in 1852 and steam power was first used in 1855.

Electric cutting machines were introduced in shirt and collar factories about 1870, buttonholing machines about 1880, and button sewing machines about ten years later.

The collar industry today still centers around Troy, New York. The majority of the collar factories produce both collars and shirts.

The collar industry, unlike other industries in men's wear, tends toward close ownership and somewhat, also, toward concentration. The number of establishments has decreased since 1914. (For summary of recent developments in the industry, see Appendix C, Table 42.)

Shirt Making—In 1832, the shirt trade of America was founded as a systematic industry. It was the outgrowth of orders for "custom made" shirts. In other words, the handling of these orders led to the manufacture of "stock" shirts. By 1840, several factories were in operation and the shirt industry, with its specialized requirements in the nature of skill and machinery, developed.

Knit Goods—The developments in knit wear have been in the main the history of the adaptation of machinery and power to knitting. This branch of the industry is one of the oldest in operation, yet, from the standpoint of production organization, it is relatively new and rapidly growing. The increase in the demand for sweaters, bathing suits, mufflers, and other items of this division, not to overlook the great

demand for hosiery, has given considerable impetus to this phase of the clothing trade, which has shown itself partly in the tendency toward larger factories in the hosiery and knit goods industries. The development of knitted outerwear has perhaps been more extensive in recent years than the development in knitted underwear production. Knitted underwear has been receiving considerable competition in the prevalent, wide use of cloth underwear.

Organization of Production in Men's Furnishings—The organization of production in men's furnishings presents many points in common and many points in difference with the production organization of the clothing trade. These items of men's apparel are loosely referred to as furnishings or haberdashery. They embrace many items rather than a small group of items, as is the case with men's clothing, and in their manufacture there is greater opportunity for machine operation. Furthermore, these furnishings are the product of a factory that is turning out many other items, and they are frequently incidental to some major line. For example, a factory specializing in men's shirts will also make nightshirts, pajamas, muslin underwear, boys' blouses, and overalls. The materials used are practically the same, the system and methods of production are identical. In most cases, the finished product is sold through the same channels. By producing these subsidiary articles, factories are in a better position to operate the year round, thus gaining the advantage of a saving in overhead costs. Because of the common characteristics of the production of furnishings, a discussion of selected items will suffice. As in the case of men's clothing, there are many instances of contract work in the furnishings trade.

1 SHIRTS The men's shirt industry falls into two main divisions (1) those factories which produce men's inexpensive working shirts made of chambray, cheap sateen, and shoddy flannel, and the flannel shirt which is used for sport

and outing purposes, and (2) those which make dress and negligee shirts, ranging from cheap cotton percales to the most expensive pure silk fabrics. There are many factories, however, which produce complete lines, ranging from the cheaper work shirt to the finest silk shirt. This difference in the men's shirt trade shows itself in the merchandising process wherein the low-grade shirts are sold mostly to jobbers, and the better grade of shirts are sold directly to retailers. Custom-made shirts have not played a very important part, although the concerns featuring a custom shirt department seem to be on the increase. Indeed, the shirt-making industry, on the whole, has been rapidly growing in the United States during the last few years. (For statistics see Appendix C, Table 43.)

Shirt-making is easily standardized and essentially unskilled. Unskilled women quickly learn to perform many of the operations, which probably accounts for the fact that many concerns do stitching, under contract, on materials owned by others.

The principal factors in successful shirt manufacture are (1) judgment in buying materials, (2) sufficient capital, (3) modern factory equipment, (4) efficient sales management, and (5) efficient factory management. It is practically impossible to trace statistically the relative effect of these factors on cost. It is wholly possible that an establishment may have larger expenses than another of its group and yet be efficient. Quality of goods produced, selling policy, and other items will account for this. The same ratio of expenditure for all items will not be found in any of these establishments, but if the discrepancy is very great, it will show itself on the profit and loss statement.

With the exception of Troy, the major production centers of shirts are also centers of clothing production. The leading cities in the shirt production are New York, Troy, Albany, Philadelphia, Baltimore, St. Louis, Cincinnati, Chicago, San Francisco, and Boston. The minor production centers include

Los Angeles, Omaha, Pittsburgh, and Minneapolis. There is a considerable movement of this industry away from the large urban centers to smaller cities in New York, New Jersey, Maryland, and Pennsylvania. Eastern Pennsylvania, in particular, is becoming an important center for the manufacture of men's shirts. From the standpoint of quality, Troy is the leading production center. In other cities, the factories make a variety of grades ranging from working shirts to dress shirts.

2 **COLLARS** The manufacture of men's collars again falls into two main divisions: (1) the soft or unstarched collar, and (2) the stiff or starched collar. The soft collars attained unrivaled popularity during the past decade and are now in general use. As for material, the cotton collar, starched or unstarched, constitutes the great bulk of the trade, although paper and celluloid collars are sometimes seen. The United States is, and has been from the beginning, the largest producer and consumer. Collar production is conducted on a highly efficient and well-organized basis. In contrast to some forms of shirt and clothing manufacture, power-driven machines are used in all of the main operations, and hand-work is cut to a minimum. The major portion of domestic production is in the hands of three companies, which have obtained their present proportions through the absorption of weaker competitors, and through actual increase in their volume of business.

3 **MEN'S HATS** The hat industry is more closely owned and controlled than any other branch of the apparel industry, although its development was along similar lines. Large-scale production of hats preceded, however, large-scale production of clothing. As early as 1662, the Assembly of Virginia made an attempt to stimulate hat making in America. Hats were at that time made by hand. It was not until 1820 that the first labor-saving machine was applied to the hat industry. In

1810, the silk hat appeared but did not supplant the tiled heaver, although it gained considerable popularity in 1830. In 1849, the soft hat made its appearance and has since that time predominated. The centers of hat production are New York, Philadelphia, Brooklyn, Orange and Newark, N. J., Danbury, Bethel, and Norwalk, Conn., and Reading, Pa. Besides its home consumption, the United States at the present time is a large exporter of men's hats. (See also Appendix C, Table 44.)

Production Problems

Unevenness of Production—Unevenness in production in men's apparel is attributable (1) to seasonal variation, and (2) variation caused by economic fluctuations which, to the business man, constitute the "ups and downs" of business.

The seasonal variation is especially marked in men's clothing. There are usually two dull seasons in the year, following the two busy seasons, mid-summer and mid-winter. Clothing is made in mid-summer for the fall and winter, and in mid-winter for the spring and summer. "Inside factories" have a more uniform production throughout the year than contract shops. Some of the small shops close down in the dull seasons or run with a reduced force. Some concerns, on account of this seasonal element in men's wear, have found it desirable to sell to large buyers in order to be assured of a satisfactory distribution. Other concerns have sought to control their outlets in some other way.

Economic fluctuations are of various types according to the influence of the various movements of the business cycle or of the reactions to conditions produced by war or other great catastrophes. A decline in consumer purchasing power or a transfer of this purchasing power to other industries will cause a decline in apparel production. Indeed, the inception of the

so-called "luxury industries" is responsible for a considerable part of the variation in the production of men's wearing apparel. These production variations radiate back to the raw materials market in a manner frequently unsatisfactory to that market.

Increased Production and Costs—Within certain limits, clothing production may increase with a decrease in cost per unit. This is especially true where a large amount of machinery is used. Just what is the proportion of overhead to variable costs varies with the different branches of the industry. A study of ten large knit-wear houses suggests that between 60% and 75% of the expenses are fixed. No average figure has been worked out for clothing factories.

The chief cost elements in the men's ready-to-wear industry are (1) cloth, (2) trimmings, (3) labor, (4) taxes, (5) amortization, and (6) transportation charges, (7) overhead and profit.

Simplification in Men's Apparel Production—Simplification has been defined as a philosophy which strictly discards all unnecessary motions in business. As applied to men's apparel trade, the problem of simplification has been confined primarily to the reduction of the number of models. For example, the Middle Shade Company reduced the number of their models from 150 to 24, with the results of lowered production cost and prices, accompanied by increased sales. The Knox Hat Company, in 1922, made 9,820 different models of soft hats for men. In 1924, the number of models was reduced to 2,000!

Simplification applied to stock has certain limitations. If consumers' needs are too drastically ignored, simplification of stock may result in decreased sales. This aspect of simplification shows itself in the retail problem of profitable price levels and also points to the growth of fixed-price chain stores.

Inter-Market Competition—National and International

Large-scale production and all the developments in production methods have stimulated producers to seek for markets beyond local territory, even, indeed, beyond the national boundaries. The need for an ever greater consuming group has led to an inter-market competition, one phase of which is signalized by trade promotion activities carried on, often, by local chambers of commerce. Inter-market competition in the men's apparel trade is based on such factors as price, quality, specialty and variety (within a single line), and opportunities to purchase in related lines. In order to attract retail buyers, commercial fairs and expositions are held in certain centers. In the men's wear trade, these are usually accompanied by style shows. To be sure, many houses maintain selling representatives in the various centers, nevertheless many buyers prefer to visit, themselves, the producing center.

Foreign Trade in Men's Apparel—The men's clothing industry enjoys a considerable export and import trade. A glance at the tables on exports and imports in wearing apparel suggests that our imports have increased somewhat during the past few years, but that our exports have decreased. Both increase and decrease, however, are very slight. (See Appendix C, Tables 45 and 46.) Then, too, these foreign trade figures are for all branches of wearing apparel, the exact status of men's apparel is not established. Certain items of men's apparel have received favor in the export market, for example, American made clothes for men are stocked by the Selfridge Stores in London and other cities in England, despite the fact that London is generally regarded as the fountain head of men's styles. English woollens are preferred for the material, but the garments are manufactured in the United States. An excellent business is also done in English markets in men's clothes and the better grades of men's hats. The hats sell especially well in England, Australia, and New Zealand. At-

tempts to popularize men's knit union suits have failed. So also have similar attempts with the gaudy types of men's underwear that have been so popular in this country during the past couple of seasons. The American bathing suit is preferred in the European markets. Another item favored by foreign customers is the leather jacket with soft collar, which is about the only type of American sports apparel heavily stocked in British stores. Raincoats from the United States are popular in Australia and New Zealand.

The style factor in American-made clothing has been an important element in the development of export sales of men's wear. This is particularly true in the case of the Latin-American business. There is, however, a limiting factor in the development of our export sales, namely, the matter of size and stature. Our standard sizes do not fit the European figure. Visiting German merchants, for example, have been unable to purchase from our manufacturing clothiers garments that they can suitably and comfortably wear. In South America there is a great demand for small-sized clothes and shirts. This business, however, several American manufacturers are turning down because they do not care to produce large quantities of such small sizes. Our present export trade, therefore, is generally limited to sizes comparable to standard American sizes.

A comment as to our imports of men's wear may be of interest. This trade today comprises chiefly men's sports accessories, of which we receive a large number. There is also a fairly large demand for foreign shirtings and suitings. It is in this field of raw materials that our import trade seems likely to find its present development.

Summary—The men's wear industry has been relatively late in attaining the large-scale production stage. Even today, much of the small-scale and handicraft survive. However, it has been predicted that quantity production would eliminate

about 50% of the plants within the next decade. Historically, men's apparel production has at one time or another been characterized by the small handicraft shop, the contract system, and finally the factory system, which in many centers has reached the large-scale stage. With these production developments, business ownership organization has expanded from the single enterpriser (almost always the tailor) to the large corporation. Today mergers are beginning to show themselves in the industry. To gain some of the advantages of combination, many manufacturers are utilizing group buying.

The production of men's apparel is marked by an unevenness due to seasonal variation, radical changes in style, and major economic fluctuations. The production problem is further intensified by the fact that men's apparel is both a necessity and a luxury and is sold to all classes of consumers. Although any given plant may operate under decreasing costs, the industry in general has excess production capacity. The program of simplification offers some opportunity for a reduction in cost and has been successfully utilized by several concerns.

Finally, these production developments have resulted in a fairly well-defined inter-market competition which, in some cases, is international in scope. In the domestic market, competition exists between the various national markets, which makes in some instances a quality appeal and in other instances a price appeal.

The demand for foreign products has increased, especially in furnishings, with the result that many wholesale distributors are large importers. On the other hand, United States styles have found a ready world market limited only by such artificial barriers as tariffs and the fact that our standard sizes are in some instances ill-adapted to foreign demand.

CHAPTER 20

TRADE ASSOCIATION ACTIVITIES

With the development of the men's apparel industry, many problems have arisen which have required the attention of the industry at large. To meet such problems, trade associations were formed in the men's clothing and furnishings trade. Not only did retailers unite, but wholesalers and manufacturers organized for the purpose of improving production, distribution and trade relations. In other trades, an attempt to influence prices has been characteristic of trade association activity, and, as such, has aroused much public interest. This price aspect has not dominated the men's wear trade associations and it is primarily the task of this chapter to analyze those trade association activities affecting merchandising. With this in mind, the chapter is divided as follows: (1) trade associations in the men's wear industry, (2) historical development of trade associations, (3) functional analysis, (4) what is to be gained by membership in a trade association, and (5) the future of the trade association.

Trade Associations in the Men's Wear Industry

In this day of the large business unit, the trade association is sometimes thought of as a large organization akin to the trust or merger. However, such is not the case, and the trade association is more accurately a composite unit made up of a group of independent competing concerns whose common business interests have led them to organize for group action on certain problems. A trade association may thus be defined "as an organization for mutual benefit, composed of independent business concerns engaged in the same kind of indus-

try or trade, and designed primarily to affect the conduct of that industry or trade"¹ It is to be noted that the trade association represents an attempt at the autonomous control of a group of individual firms and that it differs from a monopolistic combination, in that the individual firms participating do not give up their identity, and the association as such does not engage in business

The men's wear trade has many successful and ably directed associations Many of these are listed in Appendix C, Table 47

Trade associations may be local, state, interstate, national and international

It has been noted in previous chapters that the men's wear trade has recently undergone a revolution both in methods of production and in methods of distribution The large factory and the well-developed clothing store are recent additions to the industrial world, and the trade association is of comparatively recent development in the men's wear trade This, plus the question of the future of the trade associations, indicates the importance of a brief historical sketch

Historical Developments²

Early economic organizations under the guild system may be likened to the trade association, but trade associations as we now know them can be traced to the period of the Civil War Although local associations were known as early as 1854, it is probable that the Writing Paper Manufacturers Association, formed in 1861, was the first trade association in the United States It seems that, during the period of the Civil War, it became necessary to take inventory of the country's industrial assets, with the result that several trade associations were formed Growth was slow and it was not until the two years preceding the panic of 1873 that any considerable

¹ National Industrial Conference Board Trade Associations Their Economic Significance and Legal Status p. 7

² U. S. Department of Commerce Commercial and Industrial Organizations in the United States Revised edition 1929

development took place. These early associations are characterized as offensive rather than defensive organizations. Their objective seemed to have been the advantageous utilization of favorable business conditions. Thus, they concerned themselves with plans to increase prices and the formation of pools to reap large profits. These tendencies continued to 1890, which marks a turning point in the history of the movement.

The Formative Stage—The period from 1890 to 1911 has been aptly referred to as the formative stage in the development of trade associations. It was in this period that several men's wear organizations made their appearance. During this stage, trade associations began to assume the dignity of definite business institutions. The illegality of pooling agreements under the Sherman Anti-Trust Act in 1890, was in part responsible for the development of association activities along broader lines. Within the association itself, the value of cooperation in constructive channels became more and more apparent. Statistical departments, publicity campaigns, and interest in public policies relative to particular trades became central features of this second stage.

The beginnings of the National Association of Retail Clothiers and Furnishers are found in this period, although nationalization came at a later date.

In the spring of 1904, six retail clothing merchants from as many different towns met in Des Moines to discuss matters of mutual interest. Before adjourning, they voted to make the organization permanent and called it the Iowa Retail Clothiers Association. At subsequent meetings the attendance rapidly increased. Practical problems were attacked and solved. Their activities attracted the attention of progressive clothiers in other states, but for six years the Iowa group was the only state association.

In 1910, the board of directors sent out a general invitation to clothiers in all states to meet in Chicago. Nine states

were represented, all in the Middle West, and an Interstate Committee was formed. Associations were soon started in these nine states, and later others were formed. In 1914, was duly organized the National Association of Retail Clothiers and Furnishers. In 1919, every state in the union had an association.

The Era of Cooperative Competition—As the country was approaching a more or less stabilized economic basis, business concerns could no longer rely primarily on the expanding market afforded by rapidly increasing population and new discoveries of natural resources. Business men found themselves compelled to adjust their activities, to coordinate their production and sales policies, more intelligently and more accurately, on the basis of the best technical practice and the actual conditions of the market. It became necessary to develop reliable information, sound principles, and conscious direction, in the functioning of business enterprise. It became a common phrase that competition was essentially between industries and cooperative action was visualized as the most effective tool in the reorganizing and redirecting of business activity with the view of maintaining or advancing the competitive level of a particular industry or trade. Research departments, cooperative selling campaigns, cooperative insurance, credit features, and programs of simplified practice were established.

War and Post-War Developments—The experience of the World War furnished considerable impetus to trade association development. With its emphasis on industrial mobilization, simplification, and improvements in both production and distribution, the trade association became a necessary vehicle of wartime efficiency. The cumulative results of the preceding decade are not to be minimized, and they contribute to this, the most active period in trade association growth. A further influence of post-war significance was the favorable attitude taken by the Department of Commerce on the one

hand, and the legalistic inquiry concerning "legitimate cooperative activities" on the other hand. On the whole, public policy may be considered as favorable to the growth of the trade association.

The historical development of trade associations could well afford a topic for detailed discussion. However, since the central interest of this work is merchandising, emphasis is placed on the analysis of trade association functions. The source material for this section comes largely from the result of a questionnaire sent to leading associations in the men's apparel trade.

Functional Analysis

The purpose of the trade association is to serve the interest of the members thereof. Thus, the association may carry on advertising projects in the interests of its members as was the case in the "Dress Well and Succeed Campaign." It may also provide for an exchange of information among the members relative to the technique of business operations, it may conduct research work, provide for cooperative insurance, or provide services for the collection of debts. These forms of activity are perhaps conducive to the general social welfare as well as to the welfare of the individual members making up the association.

Further, through the dissemination of market news, trade associations make it possible for the respective members to conduct their businesses in a more intelligent manner than would otherwise be the case. Restated, the competitive process is often very wasteful as a result of the lack of adequate information on the part of competitors. The association, by providing market and production information, may thus prevent some of the loss that inheres in our competitive business system.

The various functions of trade associations are discussed in some detail below.

Statistics and Research—The appeal to facts is an outstanding feature of the trade association. Only knowledge, based upon ascertained facts, provides a sure foundation for the adequate regulation of business affairs in the complex economic organism which today serves the material needs of the community.

Accordingly, the collection and dissemination of trade information appears to be indispensable to the smooth ordering of the merchandising activity. Obviously the individual concern is not in a position to collect many necessary facts, and the information gathered by government bureaus is frequently too general in scope. The problem of extending the boundaries of knowledge is essentially a problem adapted to cooperative attack, and the trade association finds its best reason for existence in the development of research. These agencies provide the logical medium for directing and supporting the specialized studies which, under modern conditions, have become indispensable to the progressive development of industrial technique and commercial practice. In recognition of this fact, the British government has been subsidizing, since the war, industry-wide associations which engage in scientific research for the improvement of their processes and products.

In the men's wear trade, research activity includes fashion, demand, store management, operating problems, production standards, fabric testing, and other problems. Of the same constructive character is the development of methods and measuring quantitatively the various elements of cost involved in the actual processes of producing and distributing goods. The essential function of education in cost finding is to induce more intelligent control of the various operations in each independent establishment.

The collection of business figures is not without difficulty. The secrecy complex of American business has made it difficult for even the most scientific surveys to penetrate. Further, concerns object to the many reports and the possible danger

of giving competitors too much information. Frequently concerns do not have records available or they use varying systems of record keeping. Again, the business may feel that it is too small to be of service. Many of these difficulties could be overcome by coordinating the research and the statistical activities of all associations within the industry, and then working out a classification of the membership so that data would be comparable.

The importance of the statistical and research functions is further evidenced by the many associations formed on the institute basis, and it is reasonable to predict that the development of these functions will assume active recognition in trade association development.

Stimulation of Demand—Cooperative publicity, as conducted by the trade association, is essentially a device for merchandising—for tying together production and consumption—for improving the coordination of the productive program of industry with the consumptive budget of society. It reflects an important aspect of the current economic process, namely, the widening gap between producers and consumers. Further, cooperation and joint publicity clearly suggest the increasing importance of competition between industries. On a trade basis, advertising may be used much more effectively.

The men's wear trade or industry is well adapted to collective publicity. The prevalence of many medium-sized producing units, the need for the commercial promotion of style, and the fact that the utility of individual items of men's wear is enhanced by other items enable the clothing and furnishings trade to make a most productive use of trade promotional activities. Indeed these organizations may often employ some mediums more effectively than single business enterprises. For example, commercial fairs and expositions to which the public is invited are invariably more popular in their appeal the wider the representation of the various factors in the

trade Motion pictures and the radio stand in a similar position Not infrequently an industry-wide slogan has been popularized to the extent of forming a part of everyday speech

The trade paper, frequently a feature of the trade association, also assists in the stimulation of demand By publishing articles on window displays, advertising, selling credit, and other problems of merchandising, they assist the individual business in developing trade

Budgetary Control and Store Management—It is significant that the several trade associations functioning in both wholesale and retail distribution are devoting considerable effort toward improvement in retailing Especially are they concerned with control and management methods Chapter 13, "Budgetary and Stock Control," gives a detailed analysis of this field, so it is unnecessary to go into much detail at this time It is, however, one of the most commendable events in trade association development that they have pioneered in improving retail operations The National Association of Retail Clothiers and Furnishers and the Clothing Manufacturers' Research Board have both engaged in this activity Along with research, the budgetary and stock control function offers one of the most intelligent reasons for the existence of the trade association

Credit Information—The value of cooperative counsel is perhaps more apparent in credit information than in any other phase of business activity When credit information became necessary, there invariably sprang up some type of central organization, and standardized forms of eliciting information were evolved Cooperation on credit matters was an important thing before the trade associations reached any great development, but latterly it has become an increasingly common feature in the program of trade associations

Information is secured from data on the actual "ledger experiences" of the associated members with particular patrons or from qualitative data pertinent to the credit applicant's character, business capacity and financial responsibility.

In addition to the credit services of trade bodies, separate credit associations have been formed. These general associations sometimes have departments representing particular trades as is the case with the National Association of Credit Men.^a Several associations in the men's wear trade refer their credit information work to this group. Organized to assemble and disseminate credit information, these departments and associations are beyond criticism, but the attempt to impose uniform credit terms is open to serious objection.

Group Buying—Trade associations have been considered primarily as groups of sellers. It is ordinarily as such that they are organized. Some departure from this conception is noted when trade associations, especially those made up of producers, engage in cooperative purchasing. Retail trade associations have not engaged in cooperative buying, although groups of independent retailers have formed primarily for that purpose. The legal status of group purchasing is dependent upon the object pursued in each instance and the concrete effects of the arrangements upon the markets encompassed by it. Joint negotiations of purchasers necessarily involve some diminution of competition on one side of the market, but it must amount to an unreasonable restraint of trade before it comes within the proscription of anti-trust laws.

Insurance—The promotion of insurance by a trade association helps to stamp the trade association as a necessary grouping of business interests for mutual protection. The association may develop this insurance activity by education

^a U. S. Department of Commerce. Trade Association Activities. Domestic Commerce Series No. 20. p. 120.

of members in the necessity of shifting risk through this medium and by negotiation with insurance companies of premium rates and other features of the insurance contract. Further, by way of actual assumption of the insurance function, there is the funding of risks within the association through the operation of some one of its several devices for mutual insurance. Incidental services are performed, such as influencing legislation dealing with insurance, or the controlling conditions under which reciprocal insurance arrangements may be effected.

Traffic and Transportation Service—Trade associations often help to bring about efficient shipping methods, thereby performing a useful public service. The efforts of the association in this objective are directed toward the presentation of relevant facts and the negotiation of appropriate adjustments.

The establishment of an association traffic bureau serves to render available to association members a valuable fund of knowledge concerning means of expediting shipment, reducing freight costs, and reaching various market areas. They call attention to the importance of different packing methods, alternative routings, changes in billing practice, the adoption of "break bulk" shipments, the utilization of various types of equipment, and many other expedients. In addition to this informative service the trade association may perform an operative function by actually assuming a part of the administrative responsibility for the shipping affairs of the several business units. With transportation cost always an important item, the trade association is in a strategic position to assist the individual concern in more effective transportation at a lower cost.

Standardization and Simplification—On surveying the product of current competitive industrial activity, one is

struck by a plethora of grades, styles, designs, sizes, measurements, shapes, colors, and so forth, both of consumers' goods and semi-finished products, whose capacity to yield satisfaction is in no way dependent upon these distinctive characteristics. In the men's wear trade the lack of standard sizes and measurements has led to unfortunate competitive practices. The burden of this chaotic heterogeneity of products is ultimately borne by the consumer. Not only do products require standardization but certain business processes require simplification. Any program of standardization is necessarily dependent upon some central agency for its execution, hence the trade association is active in this work.

Development of Business Standards—Through their so-called "codes of ethics" and "standard practice" regulations, trade associations are undertaking with increasing frequency and growing effectiveness, to develop from within what they deem to be necessary and desirable standards of business conduct. In every trade, certain customary standards develop. When presented in an organized fashion, they make up the code of ethics for that particular trade. In a sense, this tendency to codify business standards points to a growing recognition of business as a profession. In law, medicine, and other professions, standards have long been recognized. It is only within recent years, and largely through the instrumentality of trade associations, that ethical principles have come to be definitely formulated and machinery established to facilitate their enforcement.

Commercial Arbitration—Disputes invariably arise between buyers and sellers. The courts are the final arbiters in such matters, but for a long time certain groups of business men have had machinery of their own for the settlement of such cases. This is called commercial arbitration. Co-operative action of this type tending to mitigate the ill effects of

disputes may be clearly counted among the constructive functions of trade associations

The remedy appears to lie in two directions: the occasions for commercial disputes may be minimized and the differences which they reflect may be adjusted through arbitration. The achievement of the first of these ends depends upon such association activities as standardization of products and of trade names, the adoption of uniform contract forms, and the development of forms of business conduct. The achievement of the second of these ends is largely attainable by the setting up of machinery of arbitration. The general tendency is toward the adoption of a loosely constructed arbitration procedure and the establishment of an administrative agency within the distinct lines of a particular trade. Voluntary arbitration in this form is highly desirable and represents a marked departure from the former lack of confidence often expressed in the phrase, "let the buyer beware."

The Trade Association and Prices—In our functional analysis the matter of price has not been stressed although this phase of trade association activity has received much public comment. The courts have shifted in their interpretation of what is legal in the price influencing movements of the trade association. In the Hardwood Lumber case and in the Linseed Oil case, the work of the association in respect to their price policies was condemned by the Supreme Court. A little later in the Maple Flooring case and in the Cement case, somewhat different practices were approved by the Court. These two cases indicate that trade associations may exercise rather broad powers in regard to the prices of products. Thus, an association may assemble data for the information of members as to the volume of production, and the members may "meet and discuss such information and statistics without, however, reaching or attempting to reach any agreement or any concerted action with respect to prices or production or

restraining competition, and not be guilty of an unlawful restraint on commerce "

This statement may be taken to indicate the limits of the trade association with respect to prices

Representation in Public Affairs—Under the complexities of modern economic conditions, the legal environment (no less than the state of industrial technique or commercial organization) exerts an important influence in shaping the character and development of the business enterprise within which it functions. The vast accumulation of public measures of direct or indirect economic significance are of continuously vital concern to the business world. It is essential in democracy that participation in public affairs be not confined to the mere exercise of the suffrage in the selection of public officials. Effective participation in government requires that the demands of all legitimate interests be definitely articulated and responsibly presented. This means organization and opens up a productive field of activity, for trade associations and many groups now have Washington representatives and legislative committees. In a similar fashion, the trade association presents a definite group to whom the various governmental bureaus may turn for data concerning industry and trade.

Miscellaneous Activities—Our functional analysis by no means completes the list of trade association activities, and here and there certain activities develop depending on the requirements of the group. The Clothing Manufacturers Research Board maintain a Model and Trade Name Registry for the benefit of manufacturers. The Wool Institute employs a stylist who acts as advisor to the mills and thus aids in broadening the market. The improvement of employment relations is also an active feature of some associations. In production centers, manufacturers organize to carry on work of this type. An example of this is the Baltimore Federation of Clothing Manufacturers who maintain a Research Bureau

which compiles information and undertakes studies calculated to bring about "general improvements and standardization of working conditions" in the plants within the Baltimore area.

In retail associations, a most attractive service is that of Merchandise Information. A retailer may be in need of some commodity and lack information as to source of supply. The merchandise information bureau functions to inform the merchant as to where he may secure the item or it may do the purchasing for him. The Style Service offered by the National Association of Retail Clothiers and Furnishers is an extremely valuable one. Each month, twenty of the leading stylists of the country fill out a questionnaire regarding style trends and best sellers in their particular locality. This material is then organized and sent out to the membership as a confidential bulletin.

In view of this discussion of functions, it may appear somewhat beside the point to raise the question: what is to be gained by membership in a trade association? But it is in answer to this question that the usefulness of the trade association can best be presented.

What Is to be Gained by Membership in a Trade Association?

No doubt, the various functions analyzed in preceding pages could be listed as positive arguments for trade association membership. However, American business men have been traditionally individualistic and slow to realize the value of cooperative activity, and hence the question is so often raised, "Why join the association?"

The complete answer to this question is not to be found in personal comments nor in statements of trade association activities. It is more to be found in the intelligent use of trade association services by the membership. And here is a point for emphasis. Members often fail to avail themselves of association services, and frequently overlook the material

contained in association publications. It is, therefore, apparent that gainful results from trade association membership rest mainly on the ability of the member to make use of them.

This is not, however, a one-sided story. Too frequently associations feature more services than they really afford. Again, much of the time of the officials may be spent in raising money for the year's activities. This necessarily dissipates energy and minimizes productive service. Unfortunately many are of the opinion that a trade association should be a profit making, self sustaining unit. Such cannot be the case. Every trade needs an "advancement" fund for use in research and other educational activities. By its very nature this fund cannot be made to yield an association profit. The real profit is to be found in the productive use of trade association activities by the membership. Perhaps an educational campaign on "making use of a trade association" would go far in giving the membership and general public an appreciation of this important economic organization.

The Future of the Trade Association—Summary

The trade association can do much that is beneficial. Practically all of the activities outlined in our functional analysis are highly productive and the proper use of these services should produce favorable results to both the membership and the public.

The future of the trade association rests not alone on the development of these activities but in part upon the place it may occupy in the competitive system. The competitive system is wasteful, and a complete authoritative control of economic affairs is, for many reasons, undesirable. Through the voluntary cooperation afforded by the trade association, it is possible that there may be approximated the elusive synthesis of freedom and authority in the economic sphere. Stimulated by a developing sense of collective responsibility and held in check by the well-established mandates of public policy, the

trade association movement may serve to re-invigorate the competitive system and facilitate the fulfilment of its best promise. So much for a general statement of the future of the trade association.

In the men's wear trade certain limiting factors appear. It is often difficult to secure competent leadership and direction. Men possessing the necessary qualifications are apt to find more attractive opportunities in the competing business world. The tendency toward vertical integration is a limiting factor as many of the trade association functions are necessarily assumed by the enlarged business unit. To a lesser degree, group buying offers the same limitation. Finally, many of the larger concerns provide services for their customers which compete, in a sense, with those offered by the trade association.

These negative points are offered in the interest of a balanced viewpoint, and when a trade association is functioning efficiently many of them disappear. It is also probable that concerns offering a variety of services to their customers will find it to their advantage to delegate some of this work to the trade association.

APPENDIX

APPENDIX A

CONSUMER DEMAND

TABLE 25 PERCENTAGE OF MEN BUYING THEIR CLOTHING AWAY FROM HOME

Size of Town	Number of Town	Per Cent Buying Suits and Overcoats Away from Home	Per Cent Buying Furnishings Away from Home
Under 500	95	94%	60%
500-1 000	115	84	50
1 000-3 000	60	42	25
3 000-5 000	170	45	26
5 000-10 000	152	43	26
10 000-15 000	60	35	27
15 000-20 000	47	40	25
20 000 and over	33	16	11
Total and Average	1 093	31%	1%

PERCENTAGES OF MEN BUYING SUITS AND OVERCOATS AWAY FROM HOME, ACCORDING TO SIZE OF TOWNS AND SECTION OF COUNTRY

Size of Town	North east Per Cent	East North Central Per Cent	West North Central Per Cent	South Per Cent	Far West Per Cent	California Per Cent
Under 500	100%	98%	93%	100%	88%	100%
500-1 000	100	94	81	87	85	87
1 000-3 000	79	59	39	54	33	62
3 000-5 000	70	60	24	34	8	68
5 000-10 000	83	39	26	31	12	56
10 000-15 000	68	38	19	25	100	70
15 000-20 000	87	20	10	50	0	50
20 000 and over	27	13	4	0	0	27
Averages	45%	32%	30%	20%	25%	40%

TABLE 26 AVERAGE EXPENDITURES FOR CLOTHING PER INDIVIDUAL IN THE BUREAU OF LABOR INVESTIGATION, 1918-1919*

Income Group	Husband	Wife	Children over 15		Children 4 to 8	
			Male	Female	Male	Female
Under \$900	\$38 41	\$30 59	\$ 40 11	\$ 35 53	\$19 63	\$19 26
\$ 900 to \$1 200	53 21	44 37	50 02	54 31	24 49	25 51
\$1 200 to \$1 500	60 93	57 86	61 82	71 90	30 37	30 61
\$1 500 to \$1 800	78 96	72 31	70 13	86 50	34 28	35 31
\$1 800 to \$2 100	88 33	82 20	84 55	102 33	36 37	39 08
\$2 100 to \$2 500	94 23	89 72	95 24	115 37	39 97	42 15
\$2 500 and over	96 06	85 72	107 19	142 20	39 06	42 90

* Cost of Living in the United States U S Bureau of Labor Statistics Bulletin 357

TABLE 27 AVERAGE RATIO OF "OCCUPATION DISTRIBUTION" IN MODERN MEN'S WEAR ESTABLISHMENTS

Division	Per Cent of Working Force
1 Executive	29%
2 Buying	57
3 Office	21 3
4 Selling	43 1
5 Receiving and Stock Room	17
6 Shipping and Delivery	4 6
7 Tailor Shop	12 1
8 Maintenance	0 6
1 Janitors	4 5
2 Elevator Men	2 9
3 Watchmen etc	0 6
Total	100 0%

APPENDIX B

RETAIL DISTRIBUTION

TABLE 28 SALES THROUGH INDEPENDENTLY OWNED AND CHAIN CLOTHING AND FURNISHINGS STORES, MEN'S READY-TO-WEAR*

	Total Stores 2,834	Total Sales \$152,488,400
	Independent	Chain
Number of Stores	2,485	349
Per Cent of Total Sales	87.7%	12.3%
Per Cent of Total Average Sales per Store	\$123,541,700	\$28,946,700
	81.0%	19.0%
	49,715	82,942

*Source: Retail and Wholesale Trade, Domestic Distribution Department, Chamber of Commerce of the United States, p. 81.

TABLE 29 THE IMPORTANCE OF THE CUSTOM TAILOR IN THE DISTRIBUTION OF CLOTHING AND FURNISHINGS AS INDICATED BY THE PERCENTAGE OF BUSINESS DONE BY THE CUSTOM TAILORS IN ELEVEN CITIES*

Cities	Per Cent Total Sales Clothing	Per Cent Total Sales Furnishings
Total Sales	24.03%	1.31%
Chicago	27.41	1.45
Seattle	22.05	1.28
San Francisco	26.03	1.04
Kansas City	14.55	0.034
Providence and Adjacent Cities	14.32	
Springfield, Ill.	1.46	
Baltimore	27.47	4.46
Syracuse	19.6	
Denver	12.9	
Atlanta	8.6	

No Data available for Fargo, North Dakota.

*Composite chart adapted from Retail and Wholesale Trade, Domestic Distribution Department, Chamber of Commerce of the United States.

TABLE 30 NUMBER OF TAILOPS IN THE UNITED STATES*

1880	81 658	1910	163,795
1890	123 516	1920	160,404
1900	161,299		

*Taken from United States Census Material

TABLE 31 CLOTHING AND FURNISHINGS SALES FOR THE CITY OF CHICAGO ACCORDING TO TYPE OF STORE†

Kind of Store	CLOTHING		MEN'S FURNISHINGS	
	Sales	Per Cent of Total	Sales	Per Cent of Total
Clothing and Furnishings (stores)	\$11 383 500	46 16%	\$24 908 900	55 98%
Custom Tailors	24 652 300	27 50	14 731 400	31 83
Department	11 677 300	17 18	1 087 300	2 35
Others	7 946 500	8 86	4 554 400	9 84

* Retail and Wholesale Trade Domestic Distribution Department Chamber of Commerce of U S p 157

TABLE 32 MONTHLY COLLECTION PERCENTAGES FOR MEN'S APPAREL STORES OF VARIOUS SIZES REGULAR CHARGE BUSINESS ONLY*

MONTH	VOLUME GROUPS (000 OMITTED)			
	\$20 to \$99	\$100 to \$49	\$50 to \$499	All Volumes
Total Number of Reports	5	9	18	37
Aggregate Sales Cash and Credit (000 omitted)	\$4 6	\$1 543	\$6 418	\$19 706
Typical Sales Cash and Credit (000 omitted)	\$88	\$161	\$340	\$310
January	38%	39%	44%	42%
February	32	41	12	41
March	33	38	42	41
April	39	38	42	41
May	35	41	12	40
June	35	35	39	39
July	33	39	38	37
August	29	37	39	37
September	33	37	40	39
October	34	35	40	39
November	39	36	40	40
December	36	35	40	38
All Months	35	38	42	41
Semi quartile Range all Months†				±20%

*Includes data from stores offering only regular charge terms and from those offering both regular charge and instalment terms

†The semi-quartile range is the range within which falls the middle half of the items when the items are arranged in order of size. The percentages here given (such as ±20%) indicate the extent of the interquartile range above and below the typical figure for all months

Table 32 taken from Michigan Business Studies—Vol I No 6 p 65

CONTRACT

10

WE

I hereby acknowledge the receipt of the delivery to me of the following property in good order and condition

from _____ for which I agree to pay to
or order at _____ the sum of
Dollars (\$) _____ as follows \$ _____
on the date first above written and \$ _____ in _____ monthly pay
ments of \$ _____ on _____ of each successive month
thereafter until the entire amount shall have been paid in full with interest at the rate of
6% after maturity or default

we
If I default in the payment of any of the aforesaid when the same becomes due then
we
I agree that the certain amount remaining unpaid at the time of such default shall become
at once due and payable And to secure the payment of said amount I hereby authorize
us
irrevocably any attorney of any court of record to appear for me in any court of record
in term time or vacation in any of the states or territories at any time hereafter and con-
fess judgment without process in favor of the holder of this instrument for such amount
as may appear to be unpaid thereon together with costs and reasonable attorney's fees
and to waive and release all errors which may intervene in any such proceedings and to
consent to immediate execution upon such judgment hereby ratifying and confirming
our
all that my said attorney may do by virtue hereof And to secure the payment of said
principal amounts interest and attorney's fees and costs hereon or any judgment that
may be entered thereon we
I do hereby sell transfer assign and set over to
and its assigns all wages and claims for wages and commissions earned or to be earned
and all claims or demands due or to become due to me from my present employer or from
us
any other person firm or corporation for whom I may now be employed or who may
owe me money for any consideration whatsoever or for whom I may be employed at
us
any time up to and including two years from the date hereof I hereby authorize and
direct that said party or parties named above or any of them pay the said demand or
claim and all thereof to the said _____ or its assigns

Signature _____ Address _____

Co signature _____ Address _____

Co signature _____ Address _____

Employment _____

Business address _____

Position _____

How Long with Co _____

Clock or Check No _____

Foreman's Name _____

Bus Phone _____

Accounts _____

WITNESS

Figure 9 Installment Sale Contract

For the purpose of obtaining the delivery to me of the within described property, I hereby declare that the statements hereinafter made are true and correct

DATE

- 1 Name
- 2 Residence
- 3 City State Res Phone
- 4 Apt House % How Long at Present Address
- 5 Employer (firm) Bus Address
- 6 Position How Long with Co Check or Clock No
Foreman or
- 7 Chief Clerk's name Bus Phone
- 8 Age Married Salary Per Pay
Day
- 9 Other Income (Amt) \$ Source
- 10 Monthly Rental \$ Own Rent, } Agent's or
or Board } Housekeeper's Name
- 11 Have You had Budget Account With Us? } Address
- 12 Name of Your Bank
SAVINGS Account No In Whose Name
Checking Account In Whose Name
- 13 Union's Name No
- 14 Previous Employer
Address How Long
- 15 Previous Residence Address
- 16 Nearest Relative Other Than Wife Address
Some Firm or Person With Whom You have had Business Dealings
Personal
- Business Accounts Open or Closed

Paste Hold or Release Label in This Space

Figure 10 Reverse Side of Contract

Name	Home Address	
Time There	In City	Former Address
Rents	Owns	Real Estate
Where		Time There
Employed	Dept	
Bank	Married	Age
Name of Relative Other Than Wife		
Address		Lodge
Phones	Bus	Home
Locate		
REFERENCES		REPORTS

For value received I promise to pay to **SHOTWELLS Inc** or its order at its office in Houston Harris County Texas the sum of \$_____ \$_____ cash and \$_____ to be paid on the _____ day of _____ 19____ and \$_____ to be paid on the _____ and _____ day of each succeeding _____ until the full amount of this note is paid together with 10% interest from maturity and also 10% attorney's fees if this note is placed in the hands of an attorney for collection. Failure to pay any installment when due shall at the option of the holder of this note mature the entire balance then outstanding. This note is given in payment for the personal property described herein, and a chattel mortgage is hereby granted on same to secure the payment of this note. All subsequent purchases to be protected by this contract.

As a further consideration I hereby authorize and direct the party or parties above named the privilege of requesting the assistance of any firm corporation or individual by whom I may be now or hereafter employed up to and including four years from date should I default in any payment.

I have read and fully understand the above and agree to comply with the terms and conditions therein expressed.

Witness my hand this the _____ day of _____ 19____

Witness _____ SIGNED _____

Who Authorized to Buy on this Account?

THIS
ACCOUNT O K By _____ Name _____

Merchandise Delivered Covered by Initial Payment \$_____ Amount _____

Merchandise Sent Out ☐ } COD
Merchandise Called For ☐ } Initial
Payment \$_____

Figure 11 Sale Contract

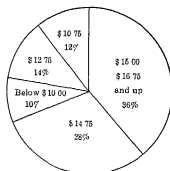


Figure 12 Boys' Clothing The Relation Between Volume and Retail Prices

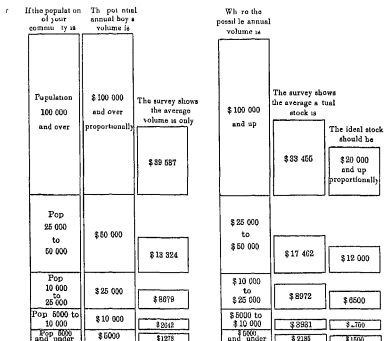


Figure 13 Boys' Clothing The Relation Between Population and Volume

Figure 14 Boys' Clothing The Relation Between Volume and Stock

RETAIL DISTRIBUTION

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TABLE 33 EXPENSE CLASSIFICATION

SMALL STORE	LARGE STORE
EXECUTIVES' SALARIES	EXECUTIVES' SALARIES
SELLING AND BUYING SALARIES	SELLING AND BUYING SALARIES
Selling Salaries	Selling Salaries
Bonuses and Commissions	Salesmen's Commissions Bonuses and P M s
Extra Help	Extra Salespeople
	Buying and Buyers Salaries
	Buyers Bonuses
	Floorwalkers and Stock Men
MISCELLANEOUS SALARIES	MISCELLANEOUS SALARIES
Office Salaries	Office Salaries
Janitors and Porters Salaries	Janitors and Porters Salaries
Wrapping and Cashiers Salaries	Wrapping and Cashiers Salaries
Other Salaries	Other Salaries
RENT	RENT
	Store
	Warehouse
ADVERTISING	ADVERTISING
Newspaper	Salaries
Direct Mail	Newspapers
Miscellaneous	Window Display (incl & sup)
	Direct Mail
	Outdoor
	Programs, etc
	Miscellaneous
INTEREST	INTEREST
FREIGHT EXPRESS CARTAGE	FREIGHT, EXPRESS CARTAGE
TAXES	TAXES
	Real and Property
	Capital Stock Tax
INSURANCE	INSURANCE
	Fire
	Liability and Compensation
BUSHELING	BUSHELING
	Salaries
	Supplies
GENERAL EXPENSE	GENERAL EXPENSE
Light and Heat	Light and Heat
Telephone and Telegraph	Telephone and Telegraph
Office Supplies	Office Supplies
Store Supplies	Store Supplies
Traveling and Buying Expense	Traveling and Buying Expense
Cash Over and Short	Cash Over and Short
Repairs and Maintenance	Repairs and Maintenance
Donations	Donations
Delivery Expense	Delivery
Miscellaneous General Expense	Miscellaneous General Expense
RESERVES TO BE SET ASIDE	RESERVES TO BE SET ASIDE
Uncollectible Accounts	Uncollectible Accounts
Depreciation of Furniture and Fixtures	Depreciation of Furniture and Fixtures
Federal Income Tax	Federal Income Tax

TABLE 34 CLASSIFICATION OF DEPARTMENTS FOR A CLOTHING AND FURNISHINGS STORE

1-A Men's and Young Men's Fancy Suits	5-F Golf Hose
1-B Blues and Blacks	5-G Jewelry
1-C Tropical Coat and Pants	5-H Novelties (leather, etc.)
1-D Golf Suits	5-I Mufflers
1-E Tuxedos	5-K Umbrellas and Canes
1-F Prep or Students' Suits	6-A Felt Hats
1-G Men's Wash Suits	6-B Straw Hats
1-H Mohair Coat and Pants	6-C Caps
1-J Uniforms	6-D Miscellaneous (bands, etc.)
1-K Made to Measure	7-A Overalls, Coveralls and Jackets
1-L Miscellaneous (Odd Coats, Vests, etc.)	7-B Work Shirts
	7-C Work Trousers
	7-D Work Gloves
2-A Overcoats	7-E Miscellaneous Work Clothing
2-B Topcoats	8-A Trunks
2-C Raincoats Gabardines, etc.	8-B Bags and Suit Cases
2-D Macinaws and Sheplined	9-A Boys' Suits
2-E Miscellaneous	9-B Juvenile Suits
	9-C Boys' Overcoats
3-A Fancy Dress Trousers	9-D Juvenile Overcoats
3-B Wool Knickers	9-E Boys' Trousers
3-C Wash Knickers	9-F Boys' Wash Suits
3-D Outing and White Flannel Trousers	9-G Raincoats
3-E Tropical Trousers	9-H Overalls and Play Suits
3-F Wash (long) Trousers	9-I Boy Scout Department
3-G Miscellaneous	9-K Miscellaneous
	10-A Boys' Shirts and Blouses
4-A Fancy Collar Attached Shirts	10-B Boys' Underwear
4-B White Collar Attached Shirts	10-C Boys' Hose
4-C Fancy Neckband and Collar to Match Shirts	10-D Boys' Sweaters
4-D White Neckband Shirts	10-E Boys' Bathing Suits
4-E Summer Underwear	10-F Boys' Neckwear
4-F Winter Underwear	10-G Boys' Gloves
4-G Neckwear	10-H Boys' Pajamas
4-H Hose	10-I Boys' Bathrobes
4-I Pajamas	10-K Boys' Miscellaneous Furnishings
4-K Gloves (lined and unlined)	11-A Boys' Hats
4-L Mittens and Gauntlets	11-B Boys' Caps
4-M Collars	12-A High Shoes
4-O Belts	12-B Low Shoes
4-S Handkerchiefs	12-C Men's Sport Shoes
4-T Miscellaneous Furnishings (Suspenders, Armbands, Garters, etc.)	12-D Work Shoes
	12-E Rubber Footwear
5-A Sweaters	12-F Slippers
5-B Bathing Suits	12-G Boys' Shoes
5-C Bathrobes and Smoking Jackets	12-H Children's Shoes
	12-J Miscellaneous (findings, etc.)
5-D Flannel Shirts	13 Ladies' Wear
5-E Leather and Woolen Jackets and Vests	14 Rental Department
	15 Miscellaneous Income

TABLE 35 TURNOVER OF FURNISHINGS GOODS*

Departments	GROUP I—\$25 000 to \$49 999			GROUP II—\$50 000 to \$99 999			GROUP III—\$100 000 to \$249 999		
	Average	High	Low	Average	High	Low	Average	High	Low
Underwear	2.1	2.8	1.0	1.95	2.8	0.0	2.0	5	0.0
Neckwear	2.98	7.7	0.75	3.6	2.7	0.0	2.0	12.0	1.0
Collars	2.5	2.0	0.1	3.6	2.7	0.0	2.01	12.0	0.75
Men's Shirts	2.5	2.0	0.1	3.6	2.7	0.0	2.80	4.0	0.46
Men's Ties	2.7	4.2	1.6	2.5	3.2	1.4	3.47	4.0	0.9
Men's Hosiery	3.1	3.1	3.1	2.3	4.0	1.4	2.33	4.0	0.5
Mittens	1.9	3.1	1.3	2.0	3.1	2.0	2.20	0.0	0.0
Raincoats	1.0	1.2	0.5	1.8	2.8	1.1	1.83	3.0	0.0
Pajamas	0.85	1.2	0.5	1.8	2.8	1.1	1.83	3.0	0.0
Garters and Handkerchiefs	2.1	3.7	1.5	2.75	5.2	1.3	1.4	0.0	0.30
Belts and Suspenders	2.6	3.7	1.5	2.75	5.2	1.3	1.4	0.0	0.33
Bathrobes	1.5	1.5	1.7	3.75	5.8	1.7	3.12	3.0	0.96
Sweaters	3.75	3.3	1.7	3.25	0.4	0.4	3.01	9.0	0.5
Luggage	1.0	1.1	1.1	0.8	1.0	0.0	1.23	2.0	0.5

Departments	GROUP IV—\$250 000 to \$499 999			GROUP V—\$1 000 000 and over		
	Average	High	Low	Average	High	Low
Underwear	2.3	2.0	1.5	2.07	2.16	1.85
Neckwear	2.2	6.25	1.0	5.0	5.75	5.01
Collars	1.85	0.0	1.0	4.88	3.89	1.77
Men's Shirts	2.70	5.27	1.0	2.68	2.68	1.0
Men's Ties	3.03	6.3	1.0	2.21	2.22	2.22
Mittens	3.27	8.2	0.34	3.87	3.89	3.25
Raincoats	3.95	7.20	0.9	2.87	3.77	1.60
Pajamas	2.13	3.26	0.9	2.69	2.93	2.7
Garters and Handkerchiefs	2.18	3.30	1.4	4.38	7.32	2.90
Belts and Suspenders	2.00	3.42	1.4	4.38	7.32	2.90
Bathrobes	2.29	3.2	1.4	4.38	7.32	2.90
Sweaters	2.41	3.53	1.4	1.97	2.34	1.9
Luggage	2.48	4.53	1.2	2.35	3.9	1.23

A grouping of stores doing a business of \$500 000 to \$999 999 is omitted because of the small number of stores in this group that reported their turnover figure. The results however were similar to those in Group IV.

TABLE 36 EXPENSES OF RETAIL CLOTHING STORES ACCORDING TO SIZE
OF TOWN IN WHICH THEY ARE LOCATED
Net Sales—100 Per Cent averages for 1914 1918 and 1919 combined

Population of Town	Number of Stores	Average Per Cent of Expense
Under 10 000	471	18.9%
10 000-20 000	141	20.8
20 000-40 000	139	21.9
40 000-120 000	136	24.5
120 000-200 000	44	26.3
200 000-440 000	34	24.3
440 000-and over	30	31.5
Total and Average	995	25.9%

TABLE 37 PER CENT OF EXPENSE TO GROSS SALES DURING 1927*

1927 Annual Total Sales Volume	Per Cent Total Expenses to Gross Sales (exclusive of Federal Tax)	Total Salaries	Adver- tising	Bush- eling	Taxes	Insur- ance	Freight Expenses and Parcel Post	Rent	Gen- eral Set- Aside	Re- serve
	%	%	%	%	%	%	%	%	%	%
Below \$100 000	31.6	13.9	3.6	2.7	0.8	0.4	1.0	3.4	4.2	1.6
\$100 000-\$200 000	31.7	13.4	3.9	2.2	0.8	0.6	1.3	3.4	3.5	2.6
\$200 000-\$500 000	32.0	13.5	3.4	2.6	0.6	0.6	1.1	4.1	3.6	2.5
\$500 000-\$1 000 000	33.1	13.3	4.0	2.7	0.4	0.4	1.9	4.1	3.8	2.5
Above \$1 000 000	32.7	12.9	4.0	2.6	0.7	0.8	1.7	4.7	3.0	2.3

*Taken from *National Retail Clothier* March 22 1928

APPENDIX C

WHOLESALE DISTRIBUTION—ECONOMIC DEVELOPMENT

TABLE 38 BRAND PREFERENCE—HATS

BRANDS	MALES		FEMALES		TOTAL	
	Times Men tioned	Weighted Scores	Times Men tioned	Weighted Scores	Times Men tioned	Weighted Scores
1 Stetson	413	3 770	213	1 823	626	5 593
2 Knox	194	1 667	180	1 578	374	3 245
3 Dobbs	188	1 643	121	1 046	309	2 689
4 Gape	17	112	222	2 240	239	2 352
5 Mallory	158	1 355	31	248	189	1 603
6 Truly Warner	76	556	22	170	98	726
7 Young	50	375	31	248	81	623
8 Long	40	310	11	87	51	406
9 Dunlap	39	298	24	160	63	458
10 Kaufman	43	310	4	30	47	340
11 Knapp	37	270	0	0	37	270
12 Madge Evans	1	7	34	271	35	278
13 Vogue	5	34	31	239	36	273
14 Meadow Brook	3	21	29	238	32	259
15 Wormser	24	221	4	33	28	254
16 Sarnoff Irving	23	163	4	35	27	198
17 Collins-Fairbanks	19	144	4	38	23	182
18 Berg	23	166	1	6	24	172
19 Cupid	2	7	18	150	20	157
20 Flake	1	7	15	139	16	146
21 Blue Bird	2	18	16	125	18	143
22 Schoble	13	99	2	14	15	113
23 Country Club	0	0	13	109	13	109
24 Borsalino	14	102	0	0	14	102
Miscellaneous	251		496		747	

TABLE 39 BRAND PREFERENCE—HOSIERY

BRANDS	MALES		FEMALES		TOTAL	
	Times Men tioned	Weighted Scores	Times Men tioned	Weighted Scores	Times Men tioned	Weighted Scores
1 Hologproof	343	3 108	258	2 137	601	5 45
2 Phoenix	200	1 718	190	1 076	399	3 381
3 Onyx	151	1 324	23	1 904	343	3 288
4 Pointex	31	232	187	1 430	210	1 662
5 McCallum	30	223	154	1 305	184	1 588
6 Real Silk	119	642	57	413	176	1 355
7 Gold Stripe	4	28	100	837	110	865
8 Black Cat	60	525	47	340	110	845
9 Cordon	27	192	76	608	103	800
10 Kayser	17	117	89	621	106	738
11 Cotham	20	180	62	515	88	695
12 Buster Brown	44	303	44	300	88	603
13 Luxite	39	323	40	273	79	596
14 Humming Bird	14	104	63	461	77	565
15 Ironclad	58	419	14	90	72	509
16 Fain	23	187	41	285	64	472
17 Interwoven	54	418	4	20	58	438
18 Van Raalte	12	61	50	366	62	427
19 Ipswich	36	280	20	143	56	423
20 Wilson Bros	43	296	0	0	43	296
21 Bear Brand	28	2 8	6	48	34	286
22 Allen A	24	196	9	76	33	272
23 Not a Seme	28	215	8	54	36	269
24 Everwear	19	160	7	54	26	214
Miscellaneous	314		324		638	

TABLE 40 GROWTH OF THE MEN'S CLOTHING INDUSTRY IN THE UNITED STATES, 1849-1925

Year	Number of Establishments	Average Number Wage Earners	Wages	Cost of Materials	Value of Products
1849	4,278	96 551	\$ 15 032 340	\$ 25 730,258	\$ 48 311 709
1859	4,014	114 800	19 856,426	44,149 752	80,830,555
1869	7,858	108,128	30 746,579	86 794 706	148 660 253
1879	6 166	160 813	45 940 353	131,363 282	209,548,460
1889	4 867	144,926	51,075 837	128 846 857	251 019,609
1899	5 729	120,927	45 496 728	145 218 798	276,717 357
1904	4 504	137,190	57 225 506	184,793,436	355 796,571
1909	5,584	191 183	89 644 921	252 522 567	485 677 493
1914	4 830	173,747	86 828 000	230 032 000	458,211,000
1919	5,258	175 270	197 822 000	605 752 000	1 162 986 000
1921	4 339	165 206	201,882 000	447,545 000	934 776 000
1923	4 607	194,820	235,487,000	584 804 000	1 178 715 000
1925	4 000	174 332	203 847 000	557 471 000	1 087 238,000

TABLE 41. CENTERS OF PRODUCTION—MEN'S CLOTHING

	Num- ber of Estab- lish- ments	Per Cent of Total	Wage Earners	Wages	Supply Cost	Value of the Product
New York	1 634	45 9%	30,687 21 0%	\$50 760 951 27 5%	\$175 855 645 39 3%	\$360,100,965 38 6%
Chicago	299	8 4	19,484 13 3	30,018,295 16 8	50 073 096 11 2	121,372,274 13 0
Philadelphia	324	9 1	10 430 7 1	14 653 984 7 9	90 825 425 9 1	80 047 204 8 6
Rochester	63	1 8	11,325 7 8	15,185,771 8 2	24,628,169 5 5	56,998,739 6 1
Baltimore	207	5 8	8 392 5 7	7 987 203 4 3	17 798 523 4 0	38,728 516 4 2
Cincinnati	77	2 2	7 026 4 3	6,696,182 3 6	16 577,736 3 7	34,118,632 3 7
Boston	129	3 6	4 193 2 9	5,329,479 2 9	12 916,969 2 9	26 059,827 2 8
Cleveland	38	1 1	4 501 3 1	5 406 412 2 9	14,673 611 3 3	24 338 395 2 6
St. Louis	57	1 6	3,831 2 6	3,757 903 2 0	9 233 181 2 1	17 989,266 1 9
Milwaukee	25	0 7	2 300 1 6	2 772 500 1 5	7,045 541 1 6	12 452 553 1 5
United States	3 562		146,099	\$184 613 090	\$447,244,635	\$932,181 718
Principal Cities	2,853		102,179 69 5%	\$143 577 681 77 8%	\$369,632 896 82 6%	\$772 206,371 82 8%

TABLE 42 MEN'S COLLARS—SUMMARY FOR THE UNITED STATES, 1914-1925

(Data for establishments with production under \$5 000 in value included for 1919 and 1914, but not for subsequent years)

Year or Period	Number of Establishments	Wage Earners (Average Number)	Wages	Paid for Contract Work	Cost of Materials*	Value of Products	Value added by Manufacture†
1925	28	7,187	\$5 502 920	\$ 605,938	\$11,792 449	\$27,587 675	\$15 795 226
1923	34	10 449	7 939 700	1 467 183	18 369,580	42 666 218	24 296 638
1921	34	9,285	7 061,018	188 230	12,374,054	29 571,374	17 197 320
1919	39	11,103	7,430,729	977 963	19 434 095	47 564 949	28 130 854
1914	35	10 100	4 494 146	1 045 341	6 565 578	18 530 840	11 965 262

†Including also cost of fuel, electric power, and containers
 ‡Value of products less cost of materials

TABLE 43 SHIRTS—SUMMARY FOR THE UNITED STATES 1914-1925

(Data for establishments with products under \$5 000 in value included for 1919 and 1914, but not for subsequent years)

Year or Period	Number of Establishments	Wage-Earners (Average Number)	Wages	Cost of Materials	Value of Products	Value added by Manufacture
1925	840	49 864	\$35 675 731	\$129 753 752	\$225 962 922	\$ 96 209 170
1923	934	51 672	37 913 405	139 354 361	241 331,226	101,976,865
1921	860	45,427	33 182 000	123 259 000	203 944 000	80 685 000
1919	896	39 603	25 834 000	127 088 000	205 327 000	78,239 000
1914	792	51 972	19 170 000	50 665,000	95 815,000	45 150 000

TABLE 44 HATS—SUMMARY FOR THE UNITED STATES 1914 TO 1925
(Data for establishments with products under \$5,000 in value included for 1919 and 1914 but not for subsequent years.)

Year or Period	No of Establishments	Wage-Earners (Average Number)	Wages	Paid for Contract Work	Cost of Materials	Value of Products	Value Added by Manufacture
HATS AND CAPS, CLOTH							
1925	579	6,552	\$9,242,937	\$847,150	\$22,698,729	\$43,822,729	\$21,124,000
1923	651	7,313	9,593,883	925,679	22,250,182	42,811,444	20,561,262
1921	584	6,505	8,701,150	326,047	18,536,082	36,987,008	18,450,026
1919	709	7,539	9,438,864	135,921	24,176,514	44,539,861	20,363,347
1914	580	7,322	4,507,521	109,008	9,267,577	18,593,221	9,325,644
HATS, STRAW							
1925	83	5,920	\$5,823,133	\$138,712	\$15,177,904*	\$28,153,899	\$12,975,905†
1923	97	6,812	7,522,863	62,821	16,340,868	32,569,263	16,228,395
1921	110	5,924	6,415,205	63,035	14,559,485	28,616,604	14,037,119
1919	148	7,302	6,604,933	65,849	16,910,408	32,187,361	15,276,953
1914	149	9,483	5,253,028	32,513	14,085,786	25,443,501	11,357,715

*Figures in this column include also cost of fuel, electric power, and containers.
†Figures in this column cover value of products less cost of materials.

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TABLE 45 UNITED STATES EXPORTS OF WEARING APPAREL AND ALLIED ARTICLES

Item	1925		1926		1927	
	Quantity	Value	Quantity	Value	Quantity	Value
COTTON APPAREL						
Men s—						
Collars and Cuffs doz	427 940	\$ 683 373	362 639	\$ 570 207	350 226	\$ 524 824
Overalls no	140 479	176 818	143 842	167 813	152 580	166 026
Underwear not Knit doz	184 644	972 841	179 907	842 398	145 261	694 686
Shirts no	2,608,066	2,406 780	2 433,475	2 340 351	12 514 608	1 987 960
Other Cotton Apparel doz		1 763 494		1 602 404	1 112,789	1 418,417
Total Value		\$6 003 306		\$5 523 173		\$4 791 643
Women s						
Corsets and Brassieres no	966,687	1 967 456	1,426 547	2 180 103	1 402 335	1 902 353
Dresses and Skirts doz	154 999	215 785	189 110	194 878		
Shirt Waists and Blouses doz	86 449	74 464	43,782	28,209	208 548	228 817
Underwear not Knit doz	37 665	240 506	20,264	79 400	17 284	59 218
Other Cotton Apparel no		547,741		295 884	230 395	200 156
Total Value		\$3 045 952		\$2,778,474		\$2,390 604
WOOL APPAREL						
Men s no		1,209 709		639,098	185 623	557 655
Women s doz		573,228		384 837	49 469	372 815
Total Value		\$1 782 937		\$1 023 935		\$ 930 470

TABLE 45 (Continued)

Item	1925		1926		1927	
	Quantity	Value	Quantity	Value	Quantity	Value
SILK APPAREL						
Underwear, no	109 649	\$ 237 237	83,226	\$ 169,219	71 389	\$ 143 942
Dresses Skirts and Blouses, doz	74 814	905,325	102,768	1 033 341	115 425	1 182 085
Other Apparel, doz	90 706	676 542	73,176	597 463		381 923
Total Value		\$1 819 104		\$1,710 023		\$ 1 709 950
HATS AND CAPS						
Fur Felt—						
Men s and Boys, no	278,781	\$1,267 277	385 548	\$1,831,811	371 803	\$1 684 990
Women s and Children s doz	76 183	259 892	56 376	166 907	42 591	167 823
Wool Felt doz	168 903	286 411	110 178	183 819	183 724	223 753
Other Except Straw doz	1 328,383	1 228,219	1,037 124	977 206	1 065 614	866 126
Straw or Fiber, doz	404,357	475,968	340,122	352,322	318,786	276,959
Hat Braod of Straw yds	7,033 519	81,604	6 928 418	65 024	9 254 299	111 134
Hat Trimmings		533 324		406 657		345,589
Total Value		\$4,132 715		\$4 046 746		\$3 675 476
MISCELLANEOUS APPAREL						
Garters and Arm Bands, doz	606,613	815,453	720,718	922,915	605,624	931,039
Suspenders doz	47 757	154 817	35 318	114 254	30 945	102 438
Waterproofed Garments no	275 800	702 909	217 399	513,135	357 585	729 176
Handkerchiefs of Cotton doz	286,115	189 652	258 835	178 799	226,528	113 296
Total Value		\$1 862 831		\$1 729 103		\$1 905 949
Grand Total		\$18 646 845		\$16 811 454		\$15 404 092

TABLE 46 UNITED STATES IMPORTS OF WEARING APPAREL AND ALLIED ARTICLES

Item	1925		1926		1927	
	Quantity	Value	Quantity	Value	Quantity	Value
Cotton Wearing Apparel						
Wholly or Partly of Lace etc		\$ 1 037 698		\$ 623 657		\$ 716 999
All Other		747 652		832,071		895 357
Handkerchiefs and Mufflers						
Not of Lace or Embroidered lbs	397 444	1 236 013	277,953	877 753	227 636	680 735
Lace Trimmed or Embroidered doz	318 687	1,345,668	257,194	1,278 246	346 584	1 302 290
Manufactures of Flax Hemp and						
Kamie						
Wearing Apparel		370 901		264 266		326,522
Handkerchiefs—						
Not Embroidered or of Lace doz	1 690 964	2 465,011	2 777,204	3 297 181	3 715 897	4 005 633
Made of Lace or Embroidered doz	1 032,917	1 645 998	1,032 693	1 650 832	1 306,155	1,961,973
Hats Bonnets, and Hoods of Straw						
Grass etc no	24 353 983	7,903 968	29,570,593	10 271 413	32,498 536	9 054,775
Wool Wearing Apparel not Kmt lbs	2,778,230	7 776,667	4 374,502	10 416 372		16 869 064
Silk Wearing Apparel						
Shirts Collars, and Clothing, not						
Kmt		2,865 978		3,896 812		3 789 988
Embroidered etc or of Lace		3,846,604		4 192,397		4 314 039
Silk Handkerchiefs and Mufflers						
Hemmed or not Hemmed, doz	533 824	1 059 742	522 163	1 160 302	630,648	1 330,797
Embroidered or of Lace doz	116 729	202 211	147 351	230,024	195 100	239,392
Fur Felt Hats no	538,571	1 406 025	893 390	2 232 361	1 137 904	2 450 905
Total		\$53 910,136		\$41 223 787		\$47 940 469

TABLE 47 MFN'S WEAR TRADE ASSOCIATIONS

National Association of Retail Clothiers and Furnishers, 509 South Franklin Street Chicago Illinois
Clothing Manufacturers Research Board 220 Fifth Avenue, New York City
The National Association of Straw Hat Manufacturers of America 1225 Broadway, New York City
International Association of Garment Manufacturers, 320 Broadway New York City
Associated Knit Underwear Manufacturers of America, 329 Main Street, Utica, New York
Associated Men's Neckwear Manufacturers, 432 Fourth Avenue, New York City
Association of Collar Manufacturers, 5 First Street, Troy, New York
National Association of Hat Manufacturers Inc 342 Madison Avenue New York City
National Association of Hosiery and Underwear Manufacturers, 334 Fourth Avenue New York City
National Association of Shirt Manufacturers 395 Broadway, New York City
National Association of Merchant Tailors 11 East 44th Street, New York City
National Knitted Outerwear Association, 347 Fifth Avenue, New York City
National Wholesale Men's Furnishings Association, 212 Fifth Avenue, New York City
International Association of Clothing Designers, Union Square, New York City

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